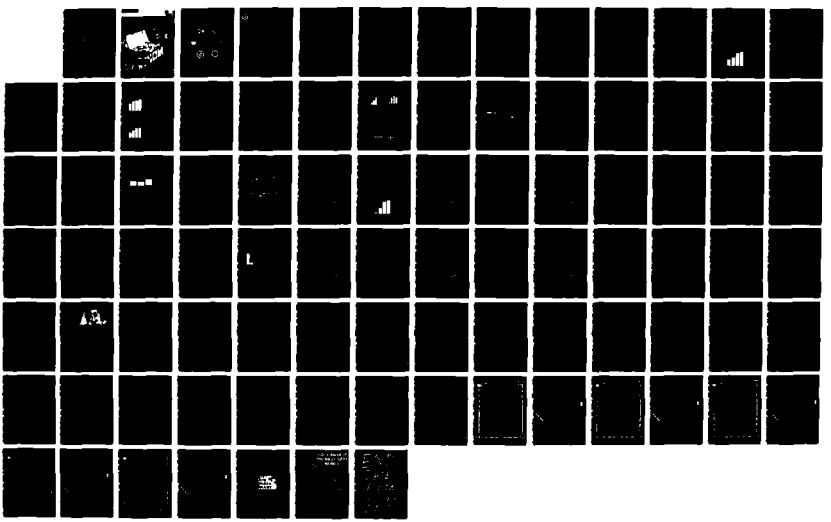
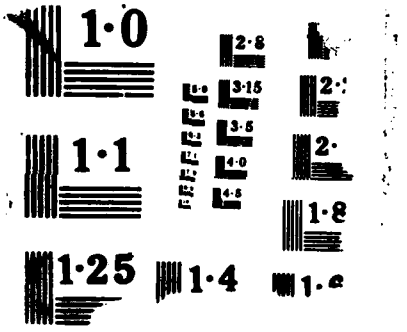
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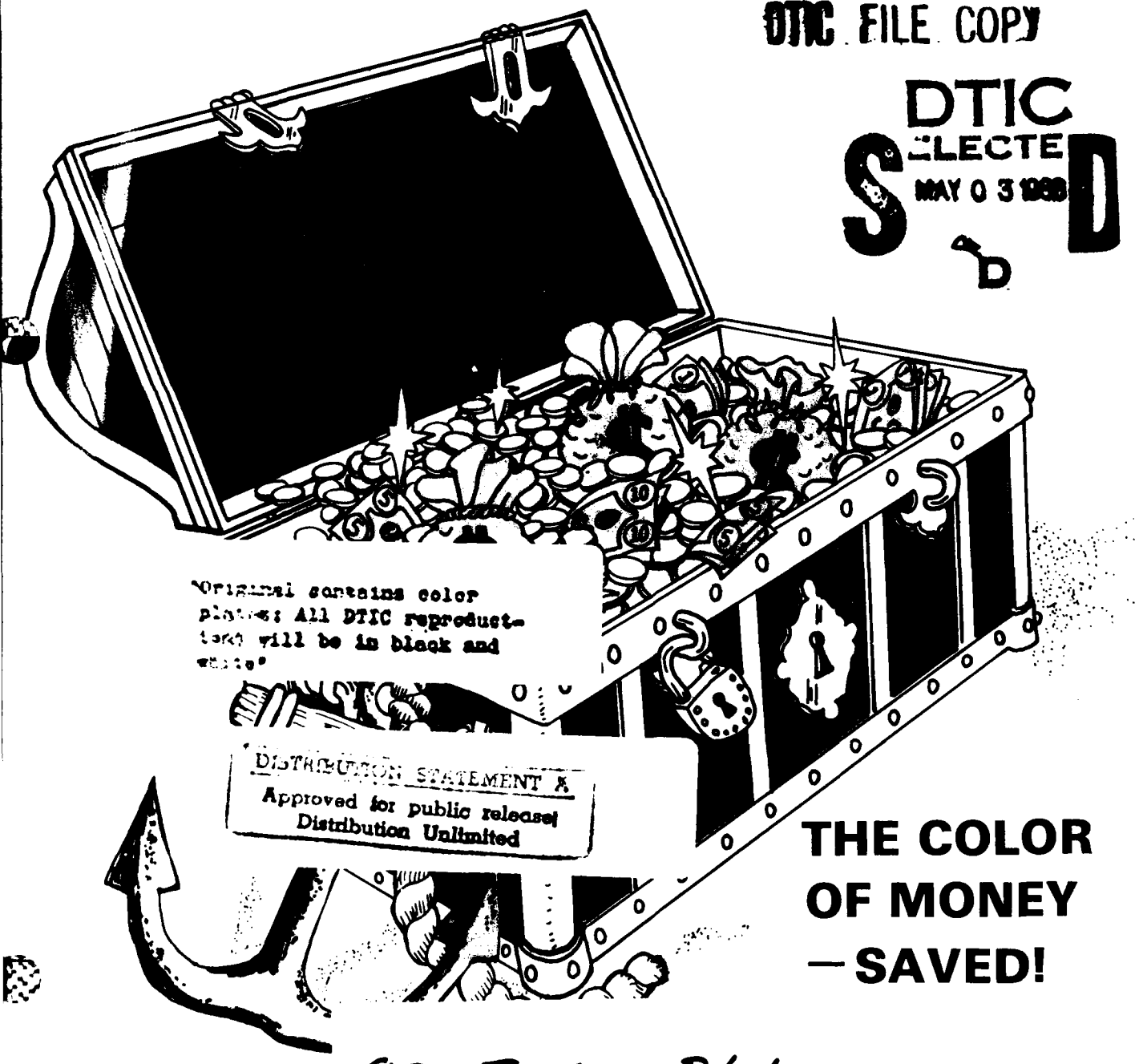

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Naval Supply Systems Command
Washington, D.C. 20376-5000

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ANNUAL REPORT FY 87

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NAVAL SUPPLY SYSTEMS COMMAND
WASHINGTON, D C 20376 5000

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19 JAN 88

From: Commander, Naval Supply Systems Command

Subj: PROJECT BOSS (BUY OUR SPARES SMART) ANNUAL REPORT

Encl: (1) FY 87 Annual Report

1. Fiscal Year 1987 was another outstanding year for the BOSS Project. We have made major progress on all fronts in our efforts to improve the acquisition and management of spare parts. The Navy exceeded both competition and breakout goals set for the fiscal year, and realized a total cost avoidance beyond expectations. The cumulative cost avoidance for BOSS has now reached $1.3 billion. Enclosure (1) documents FY 87 BOSS achievements.

2. During Fiscal Year 1987, the Navy awarded $27.3 billion in competitive contracts, which represents achievement of a 55.3 percent competition rate. We achieved our steady state level of 23,000 annual breakout reviews, as projected when Project BOSS began in August 1983. The cost avoidance attributable to the breakout effort totals $189.6 million. The Navy Pricing Hotline received a record high of 10,006 price challenges during the fiscal year. And, last but not least, the Navy's PRICE FIGHTER Detachment racked up $31.6 million in cost avoidance, up from $6.9 million in FY 86, through various uses of their SHOULD COST analyses.

3. The "all hands" efforts of Project BOSS have resulted in our detection of thousands of spare parts which were overpriced. They are now being purchased at fair and reasonable prices. A sampling of these success stories, randomly selected from Good News reports received at NAVSUP PML550, are documented on the left hand pages throughout the report.

4. Spare parts account for a substantial portion of the Navy budget and have a major impact on the readiness of the fleet. The effective use of competition is important in an era of declining budgets because it can dramatically increase our buying power and represents the most cost effective method of providing effective logistics support to our fleet and shore commands.

5. I would like to thank all of the people working within the scope of Project BOSS for your contributions to another successful year. WELL DONE!

E. K. WALKER, JR.

19 JAN 88

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EXECUTIVE SUMMARY

BOSS HAS SAVED MONEY!!!

For the past four years, Project BOSS (Buy Our Spares Smart) has been improving the spare parts acquisition process and reducing the cost of spare parts procurements. Our cumulative cost avoidance dollars for Fiscal Years 1984 through 1987 amount to over $1.3 billion. Comparing resources expended for our efforts, we show a 4 to 1 Return on Investment (ROI). The cost avoidance data we report represents only the solid, auditable results of initial purchases incident to spares breakouts, competition and other actions to ensure fair prices.

One significant measure of our success is the reduction in prices for spare parts. Comparing prices paid for nearly 14,000 shipboard spares purchased in FY 86 and again in FY 87, the cost of these spare parts procurements have decreased by 12.5 percent.

It is difficult to fully measure the impact of the spares initiatives we have implemented because it is not possible to assess a monetary value to the attitude of the Navy buyer and end-item user. More discipline exists today in the way spare parts are purchased and more attention is given to obtaining a fair and reasonable price for an item. Common sense, good judgement and emphasis on quality are becoming the watchwords of our day-to-day business.

MONEY SAVED—WITH COMPETITION

During Fiscal Year 1987, the Navy awarded $27.3 billion in competitive contracts. This represents achievement of a 55.3 percent competition rate, an accomplishment in which we can all justifiably take great pride. Competition paves the way for saving more money through future Navy procurements.

MONEY SAVED—WITH BREAKOUT

Over 23,000 breakout reviews were performed in Fiscal Year 1987, resulting in a cost avoidance of $189.6 million. We have now reached our steady state level of breakout reviews. These breakout reviews are the fuel which drives competition at our Inventory Control Point (ICP's). The BOSS emphasis on breakout has proven that prime contractors of weapons systems are not the only suppliers that can provide reasonably-priced, quality spare parts to the Navy.

MONEY SAVED—WITH PRICE CHALLENGING

During Fiscal Year 1987, the Navy's PRICE FIGHTER Detachment performed SHOULD COST analyses on 4,441 items. Approximately two-thirds of these items were verified as being overpriced. While this is not indicative of the total supply system, because the universe that PRICE FIGHTER deals with are items which are referred because of their potential for being overpriced, it does say that Navy customers have an accurate awareness of potentially overpriced items. PRICE FIGHTER's up-front programs, such as the Buyer Tech-Line and system-wide reviews, represent innovative approaches to ensuring the Navy pays only what an item should cost. The expertise of the PRICE FIGHTER personnel has withstood the challenge of major Navy contractors and has proven that the Navy saves money through smarter buying.

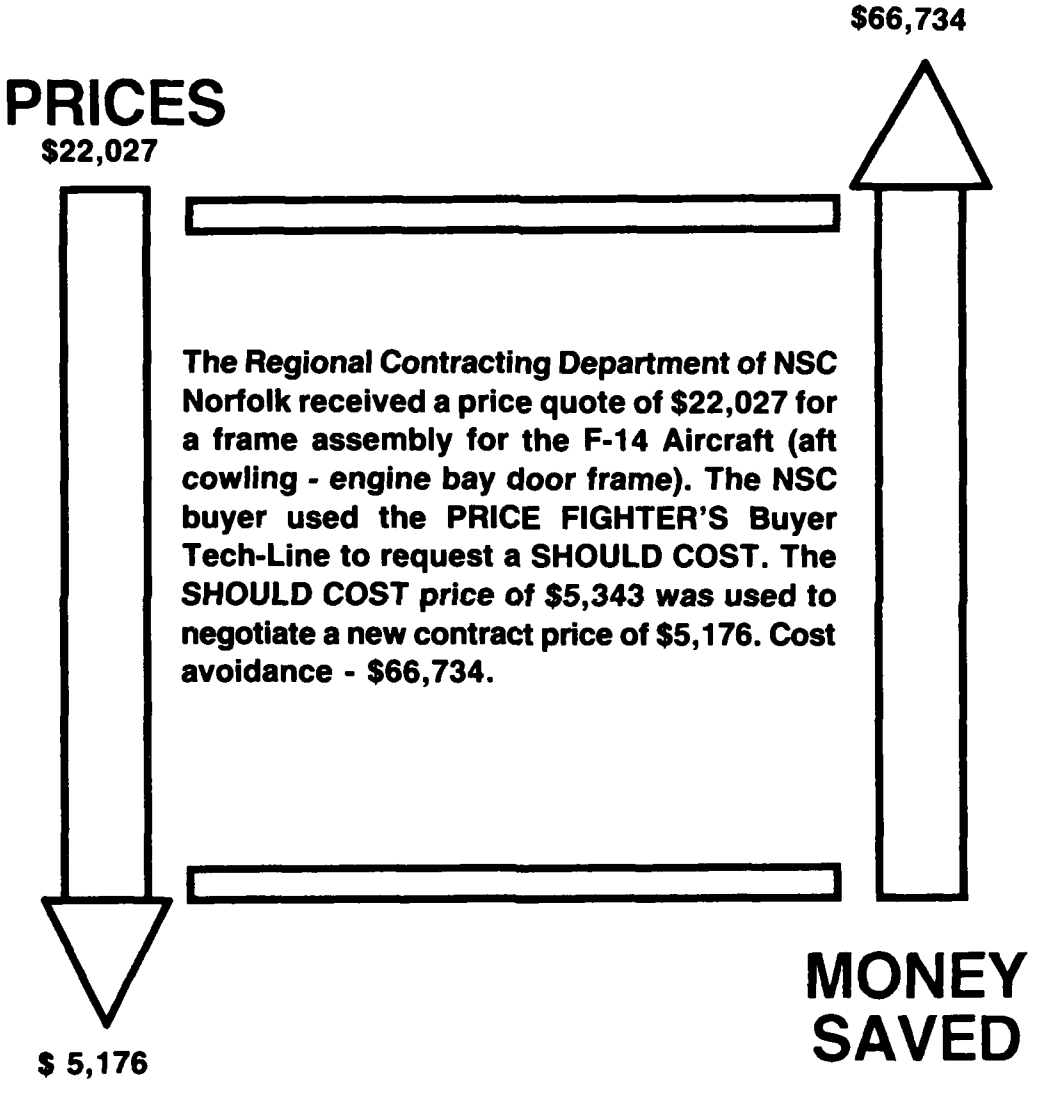
The Navy Pricing Hotline received over 10,000 price challenges from Navy fleet and ashore personnel in Fiscal Year 1987. Of the 21,000 cases closed during the fiscal year, price decreases were made for nearly 5,000 items (22.8 percent). The Value of Annual Demand (VAD) for these decreases amounts to $266.4 million. In addition, over $1 million in refunds have been received from DOD contractors as a result of Navy Pricing Hotline challenges.

MORE TO COME

Project BOSS is expected to save even more money in the future years. Our opportunity for success in the future will be enhanced through the creative use of tools already institutionalized and new areas of competition. BOSS has brought the Navy a long way in getting the best prices possible . . . and will continue to do even more!

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$66,734
PRICES
$22,027
The Regional Contracting Department of NSC Norfolk received a price quote of $22,027 for a frame assembly for the F-14 Aircraft (aft cowling - engine bay door frame). The NSC buyer used the PRICE FIGHTER'S Buyer Tech-Line to request a SHOULD COST. The SHOULD COST price of $5,343 was used to negotiate a new contract price of $5,176. Cost avoidance - $66,734.
MONEY SAVED
$ 5,176

I. INTRODUCTION

Project BOSS (Buy Our Spares Smart) was established in August 1983 to address the spares acquisition problems uncovered by Navy and Department of Defense audits and further highlighted by Congress and the news media. The Naval Supply Systems Command is the lead systems command for Project BOSS.

To ensure that the objectives of BOSS continued to produce subsequent results, the Naval Supply Systems Command established a program office to consolidate its responsibility for the elements of BOSS (competition advocates, breakout, PRICE FIGHTER) and the logistics research and technology effort. The Spares Competition and Logistics Technology Program Office (PML550), headed by Mr. J. J. Genovese, serves as the single focal point for implementing and guiding Project BOSS throughout the Navy.

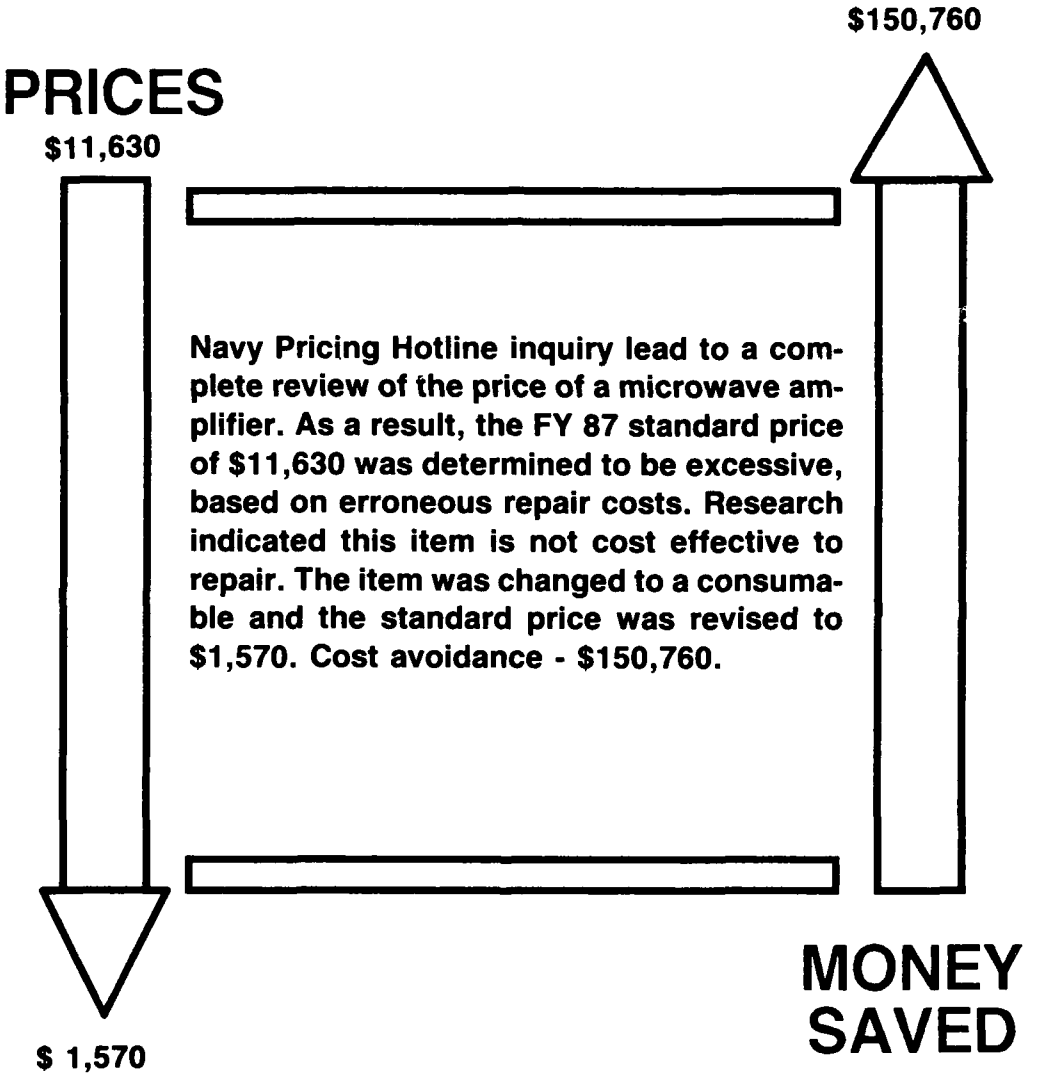
The core of Project BOSS has always been to identify and institutionalize changes necessary to ensure the purchase of high quality parts at fair and reasonable prices. The attainment of three interdependent goals is necessary if we are to obtain our required spares and support items at the best value for our dollars:

— Breakout parts and equipment away from prime contractors.

— Significantly increase the use of competitive procurement.

— Ensure that we pay only fair and reasonable prices.

This annual report presents a detailed description of actions directed at Project BOSS goals, and the achievements which result from these actions. Through the "all hands" effort of Navy Personnel, PROJECT BOSS is working. BOSS truly represents a bottom line success story: THE COLOR OF MONEY - SAVED!


$150,760
PRICES
$11,630
Navy Pricing Hotline inquiry lead to a complete review of the price of a microwave amplifier. As a result, the FY 87 standard price of $11,630 was determined to be excessive, based on erroneous repair costs. Research indicated this item is not cost effective to repair. The item was changed to a consumable and the standard price was revised to $1,570. Cost avoidance - $150,760.
MONEY SAVED
$ 1,570

II. BOSS

Project BOSS is structured on a foundation encompassing three cornerstones: competition, breakout, and fair and reasonable prices. Together, they result in cost effective logistics support. In the sections which follow, each of these three areas will be discussed and their successes outlined.

A. COMPETITION

FY 1987 saw Herculean efforts devoted to the increasingly difficult task of competing our procurement dollars. Competition Advocates and others working in the acquisition process applied imagination, energy and enthusiasm in attacking the remaining nucleus of noncompetitive requirements. The result was another great year in which the Naval Supply Systems Command (NAVSUP) exceeded its competition goal of 62 percent by over seven percentage points - turning in a year end performance of 69.4 percent!

Competition advances were aggressively pursued as activities stressed market research, communication with industry, and early planning. Major initiatives in this area include:

—Competition Catalogs were published by both ICPs to provide pictorial representations of items for which competition was sought.

—Competition Fairs were held at numerous locations, varying widely in activity type from Inventory Control Point (ICP) to Navy laboratory.

—Future requirements forecasts were promulgated to enable industry to plan earlier to participate in competitive solicitations.

—Best Value skills were honed as quality was introduced as a significant evaluation criterion.

The reward of the above actions, and more, was another tremendous competition year for the Navy Field Contracting System (NFCS). Figure 1 shows that between FY 83 and FY 87, an INCREASE of $4.4 BILLION in competitive awards was achieved by the NFCS!

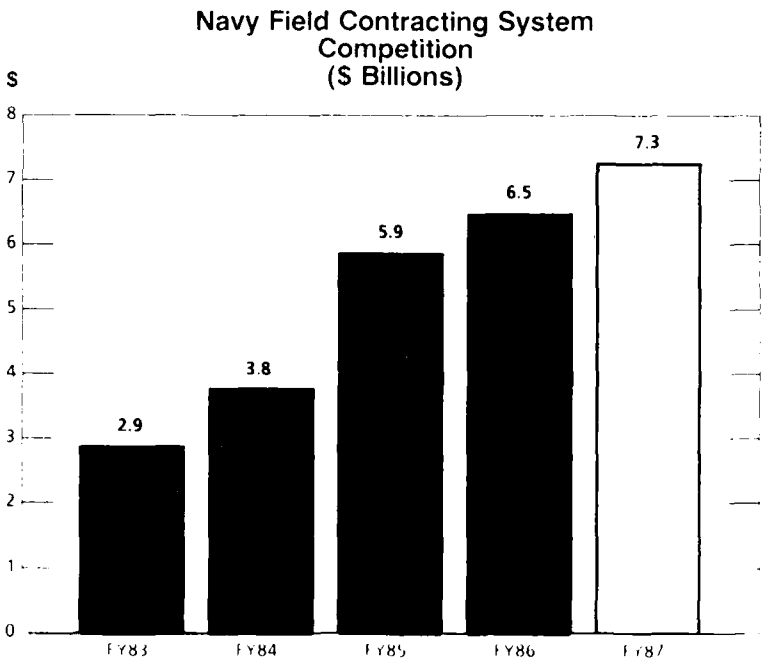
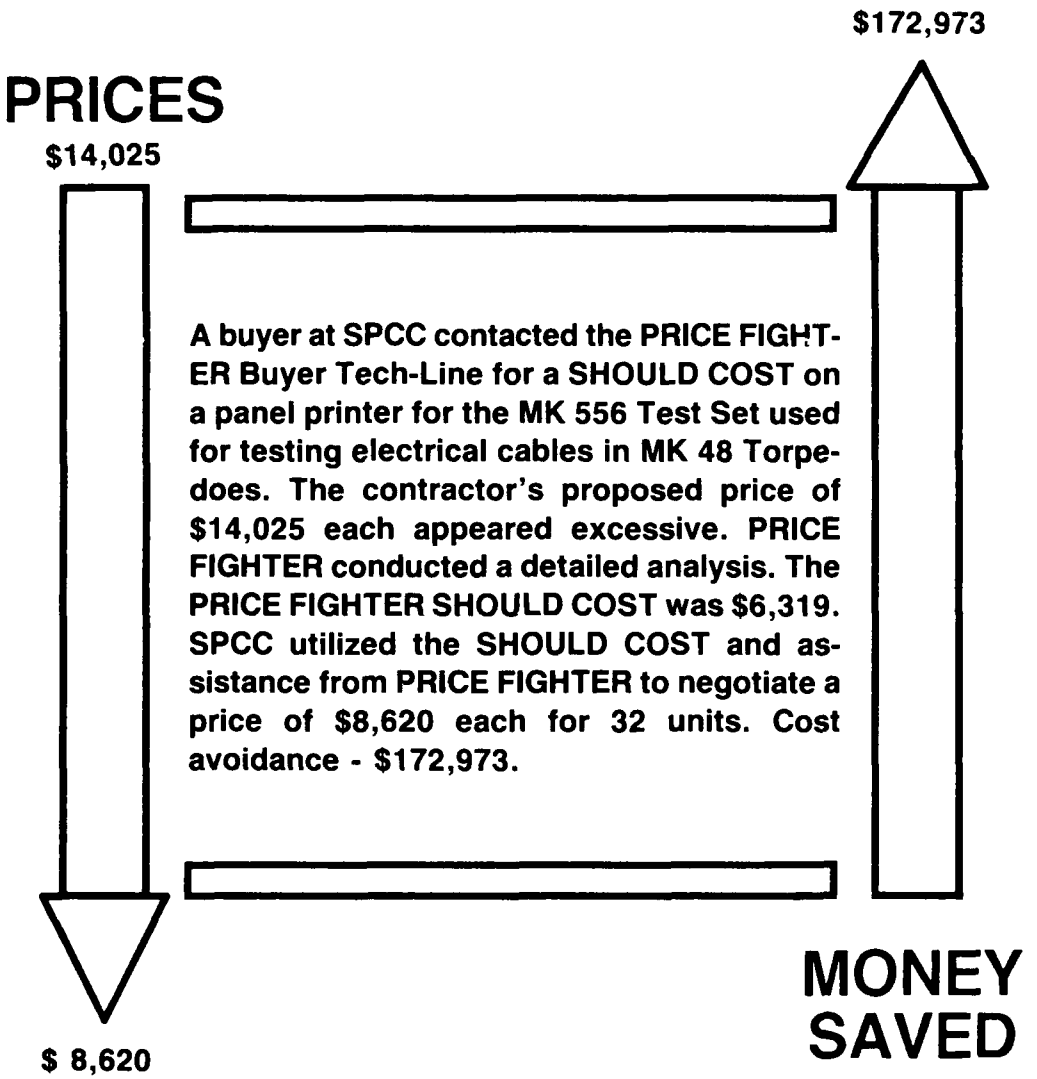


FIGURE 1


$172,973
PRICES
$14,025
A buyer at SPCC contacted the PRICE FIGHTER Buyer Tech-Line for a SHOULD COST on a panel printer for the MK 556 Test Set used for testing electrical cables in MK 48 Torpedoes. The contractor's proposed price of $14,025 each appeared excessive. PRICE FIGHTER conducted a detailed analysis. The PRICE FIGHTER SHOULD COST was $6,319. SPCC utilized the SHOULD COST and assistance from PRICE FIGHTER to negotiate a price of $8,620 each for 32 units. Cost avoidance - $172,973.
$ 8,620
MONEY SAVED

1. Navy Field Contracting System

FY 87 saw the 900-plus members of the Navy Field Contracting System compete over 69.4 percent of dollars obligated, an 8.4 percent increase over FY 1986. Improvements were across the board, as reflected for activity type in Table 1. Competition rates for individual activities are listed in Appendix B.

PERCENT OF COMPETITIVE DOLLARS

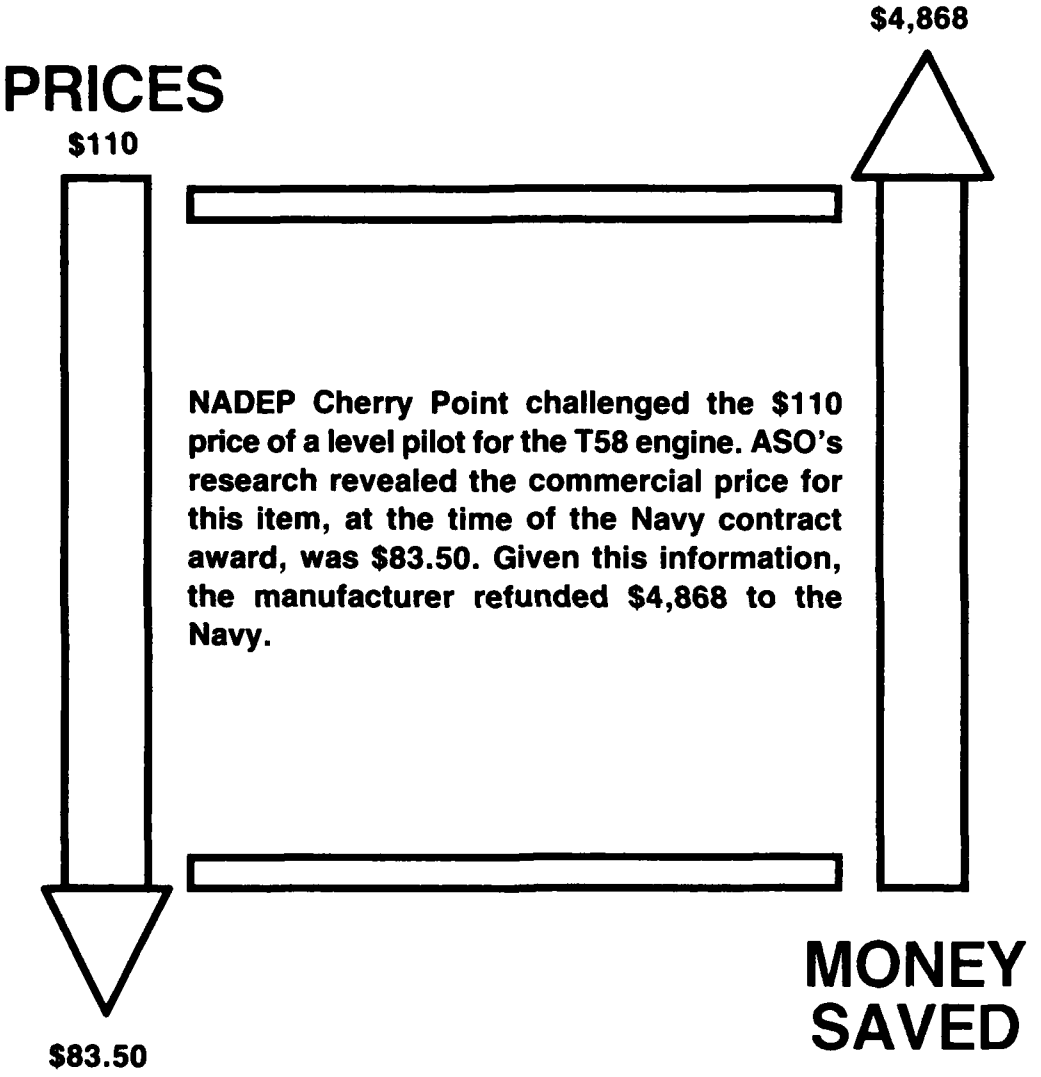
ACTIVITY	FY83	FY84	FY85	FY86	FY87
Inventory Control Points	13.5%	28.0%	33.8%	40.9%	42.0
Regional Contracting Centers	42.3	58.2	60.0	69.8	78.5
Supply Centers	67.0	73.4	86.0	89.9	91.9
Laboratories	44.9	57.5	67.2	71.9	79.0
Supply Depots	78.9	84.4	88.0	95.7	80.6
All Others	42.2	63.1	77.5	82.4	83.7
Total NFCS	32.4%	46.8%	53.2%	64.0%	69.4%

TABLE 1

Congratulations to the Naval Regional Contracting Center (NRCC), Philadelphia, for receiving the Competition Advocate Award for the first half of FY 87, and to the Naval Surface Weapons Center (NSWC), Dahlgren, for receiving the same award for the second half of FY 87. NRCC Philadelphia reported an outstanding competition rate of 84 percent, which was 140 percent of their goal and an increase of 35 points above their rate for the same period in FY 86. NSWC Dahlgren attained a competition rate of 112.5 percent of their FY 87 goal, ending the year at 82.1 percent on a base of over $315 million.

Special congratulations are also in order for the following seventeen commands which logged in at above 90 percent competition rates!

- Naval Supply Center, Pearl Harbor
- Naval Supply Center, Oakland
- Naval Supply Center, Charleston
- Naval Supply Center, San Diego
- Naval Supply Center, Pensacola
- Naval Coastal Systems Center, Panama City
- Naval Supply Depot, Guam
- Marine Corps Air Station, Cherry Point
- Naval Shipyard, Mare Island
- Naval Shipyard, Pearl Harbor
- SUPSHIP, Pascagoula
- SUPSHIP, Newport News
- Naval Weapons Support Center, Crane
- Naval Oceanographic Office, Bay St. Louis
- U.S. Naval Office, Singapore
- U.S. Naval Academy, Annapolis
- Naval Training Center, Great Lakes


$4,868
PRICES
$110
NADEP Cherry Point challenged the $110 price of a level pilot for the T58 engine. ASO's research revealed the commercial price for this item, at the time of the Navy contract award, was $83.50. Given this information, the manufacturer refunded $4,868 to the Navy.
MONEY SAVED
$83.50

The 900-plus Navy Field Contracting System commands (excluding the ICPs, which are primarily dependent upon competitive reprocurement drawings) competed more than 82 percent of total dollars awarded! (See Figure 2)

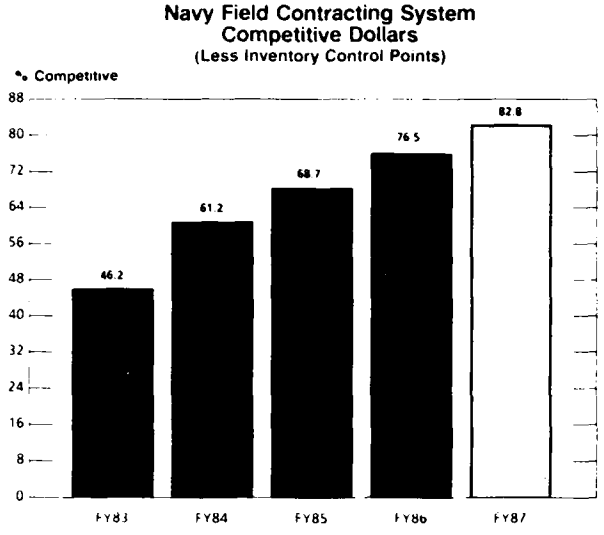


FIGURE 2

Phenomenal success was achieved in the percent of competitive actions awarded in FY 87. Over two and a quarter million competitive awards (89.7 percent) were made in FY 87 as contrasted to 810,328 in FY 86. This equates to a 25 percent increase over last year's competitive awards! (See Figure 3)

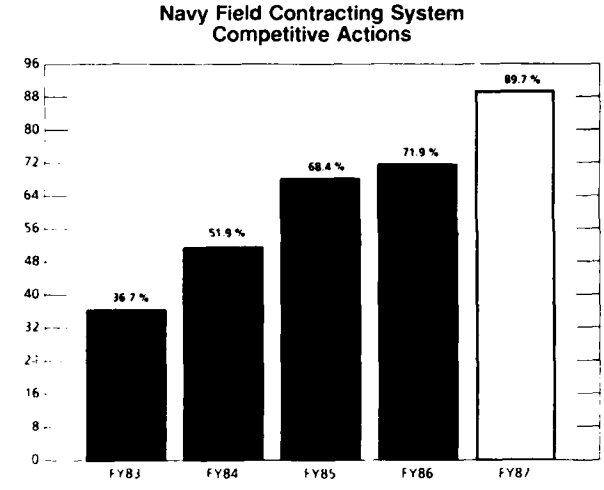


FIGURE 3

2. Inventory Control Points

In FY 87, the Navy Inventory Control Points competed 42 percent of dollars awarded. Figure 4 shows the FY 83 to FY 87 growth in each ICP's competitive dollar percentage. Figure 5 demonstrates that the ICPs have increased their competitive rate by 211 percent from FY 83 to FY 87.

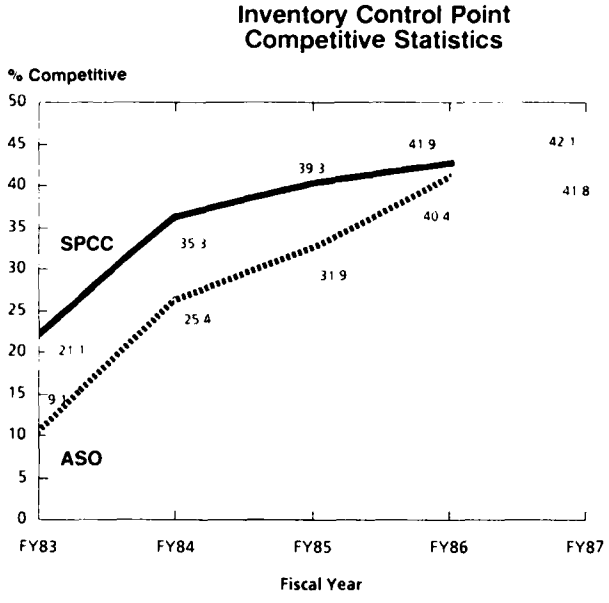


FIGURE 4

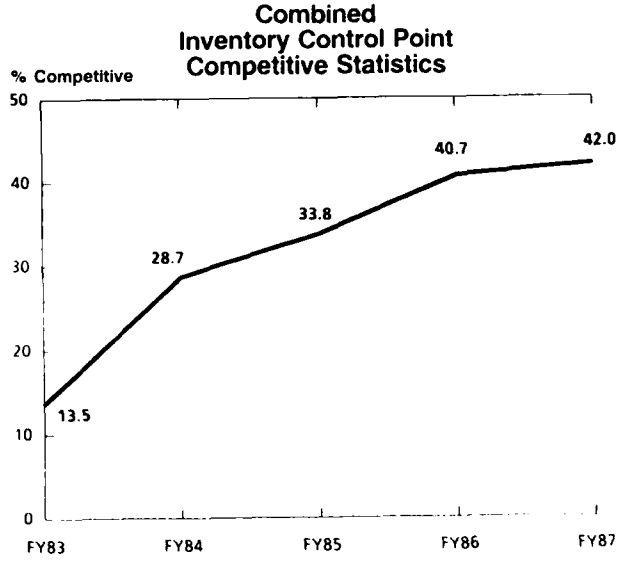
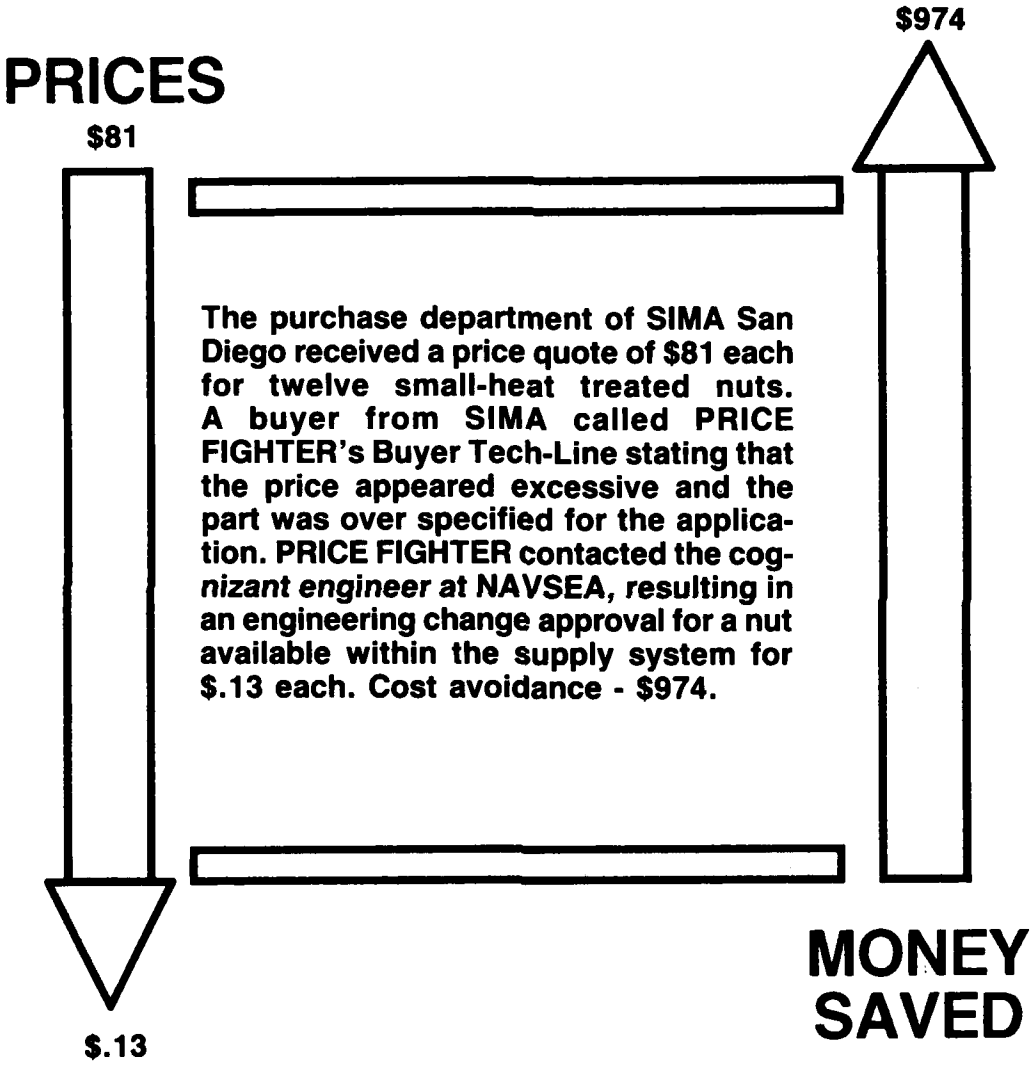


FIGURE 5


PRICES
$81
$974
The purchase department of SIMA San Diego received a price quote of $81 each for twelve small-heat treated nuts. A buyer from SIMA called PRICE FIGHTER's Buyer Tech-Line stating that the price appeared excessive and the part was over specified for the application. PRICE FIGHTER contacted the cognizant engineer at NAVSEA, resulting in an engineering change approval for a nut available within the supply system for $.13 each. Cost avoidance - $974.
$.13
MONEY SAVED

One significant measure of our success is the reduction in prices for spare parts. Comparing prices paid for 13,929 shipboard spares purchased in FY 86 and again in FY 87, the cost of these spare parts procurements have decreased 12.5 percent. This average decrease is attributable to a variety of factors, including increased use of PRICE FIGHTER SHOULD COST analyses and, most importantly, increased competition.

3. Workplace Automation

Procurement automation progress continued during FY 87 as seven supply centers and NRCC Washington came on-line with Phase II of the Automated Procurement and Data Entry (APADE) System.

APADE is a decision support system designed to enable buyers to make smarter and faster buys for the fleet, utilizing online source and price history information, and automated document preparation.

Implementation of the total APADE System is occurring in four phases with completion scheduled in the 1990-1991 timeframe. Phase III prototype, planned for March 1988, includes solicitation processing for small purchase operations.

4. Looking Ahead

As our gains make it increasingly difficult to continue to make huge year-to-year increases in competitive rates, it is important to remember the tremendous contribution we are making to the nation and the Navy. We will continue our aggressive approach to seeking out competition where it makes sense. However, we are not engaged in competition for competition's sake, and will never lose sight of the paramount goal of fleet readiness.

B. BREAKOUT

Fiscal Year 1987 was another successful year for the Spare Parts Breakout Program. As a direct result of the breakout process, $189.6 million in cost avoidance has been realized.

The objectives of the breakout program are to buy from the industrial level which will most effectively avoid middlemen who add little or no value, and to avoid the selection of inefficient and costly producers. This involves identifying high-volume buys where the traditional or sole source prime contractor is only a broker or distributor for another supplier. When breakout is successful, the item is then procured from the actual manufacturer or, ideally, through full and open competition. Experience has shown that average cost reductions of 25 percent to 33 percent can be expected after breakout of an item.

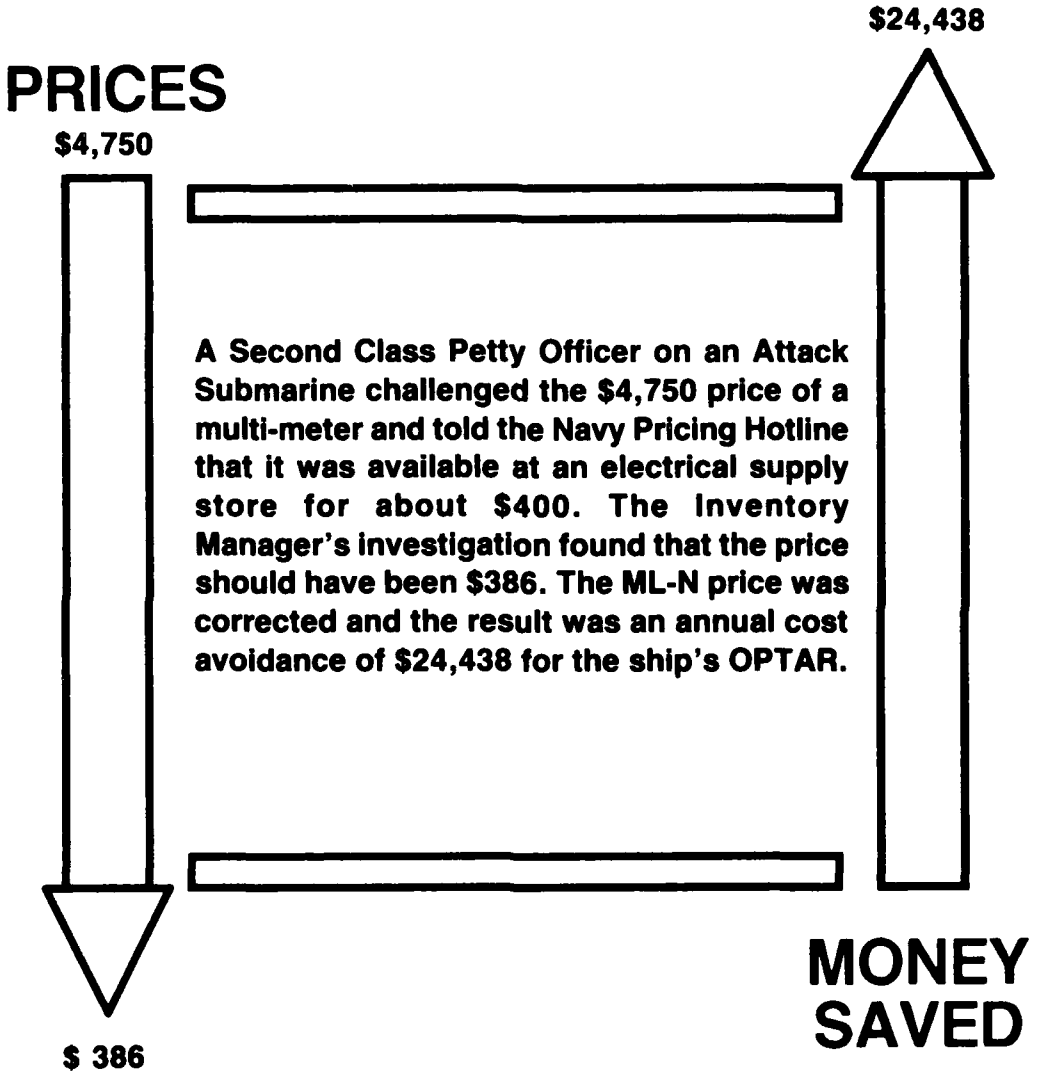
Each centrally managed spare part is assigned an Acquisition Method Code (AMC) which denotes how the item should be procured. Over 80 percent of Navy-managed items are coded for other than competitive procurement. Breakout reviews represent an opportunity to revise the AMC on existing replenishment parts.

Breakout involves the detailed technical data screening process that identifies items which can be procured from sources other than the historic sole source vendor. Although the term breakout was initially applied to replenishment parts, the concept can encompass interim and initial spares, material and support equipment, and the myriad of service contracts for maintenance and support of Navy weapons systems — all areas where competition can be enhanced and money saved through use of the breakout approach.

There are two processes involved in the breakout program: full screen and limited screen reviews. Full screen breakout may be applied to any replenishment part, and is performed well in advance of a planned procurement. Limited screen breakout is a review of an item already in the procurement cycle, and covers only the essential points of technical data evaluation.

1. Full Screen Breakout

As Project BOSS began in 1983, a review of the current breakout reviews disclosed a low volume of items screened. At this time, a four year strategy was developed to implement the breakout program as a phased program. The strategy established an annual full screen breakout review of approximately 23,000 line items as a steady state level of effort to be achieved by FY 87 by increasing the number of breakouts each year by 25 percent increments. FY 87 was the first full performance year.


$24,438
PRICES
$4,750
A Second Class Petty Officer on an Attack Submarine challenged the $4,750 price of a multi-meter and told the Navy Pricing Hotline that it was available at an electrical supply store for about $400. The Inventory Manager's investigation found that the price should have been $386. The ML-N price was corrected and the result was an annual cost avoidance of $24,438 for the ship's OPTAR.
MONEY SAVED
$ 386

The results of the Navy's Breakout Program for FY 83 through FY 87 are shown in Figure 6.

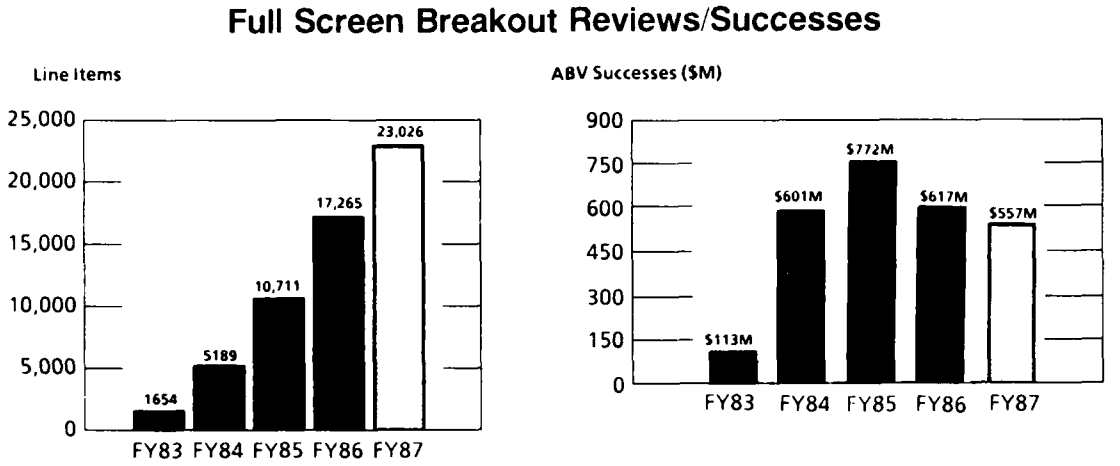


FIGURE 6

Figure 7 shows the results of breakout achieved through full screen reviews, i.e. the Annual Buy Value (ABV) of items now to be procured from actual manufacturers or through competition. Of the 23,026 reviews conducted during FY 87, 9,385 line items were broken out to either competition or the actual manufacturer. This is a 41 percent success rate. Figure 7 shows that 938 line items were broken out to the actual manufacturer, while the remaining 8,447 were to competition. The ABV was $23 million and $534 million for actual manufacturer and competition, respectively.

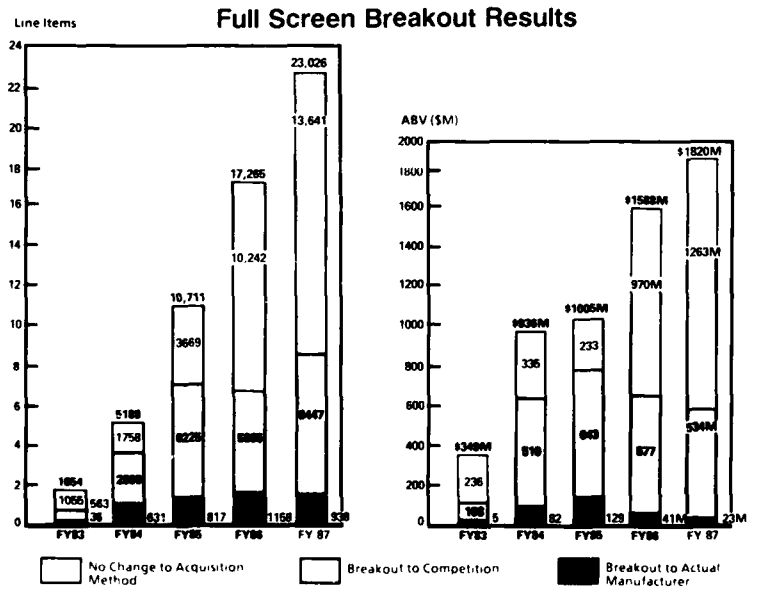
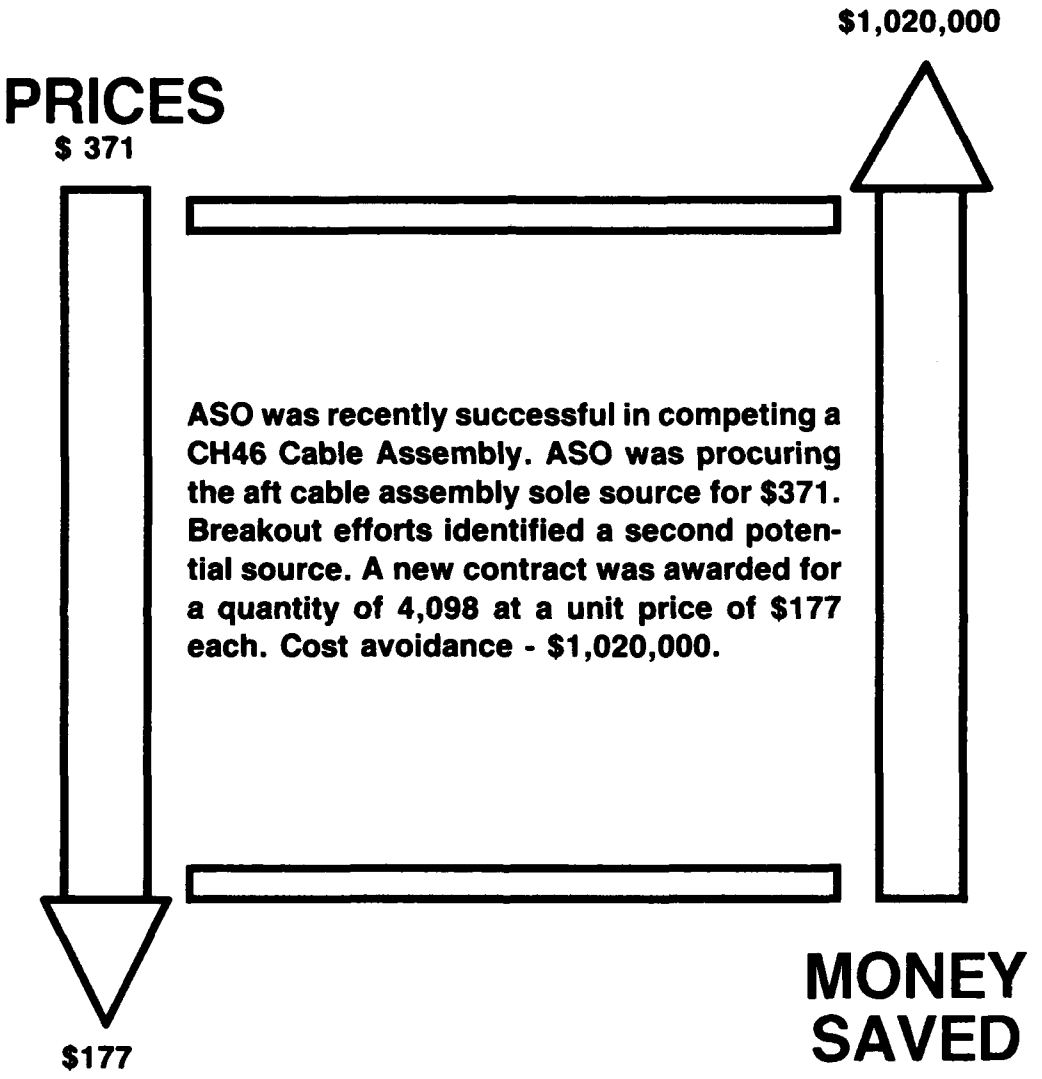


FIGURE 7


$1,020,000
PRICES
$ 371
ASO was recently successful in competing a CH46 Cable Assembly. ASO was procuring the aft cable assembly sole source for $371. Breakout efforts identified a second potential source. A new contract was awarded for a quantity of 4,098 at a unit price of $177 each. Cost avoidance - $1,020,000.
$177
MONEY SAVED

FY 87 results of breakout reviews performed, broken down by the Inventory Control Point (ICP), are shown in Figure 8.

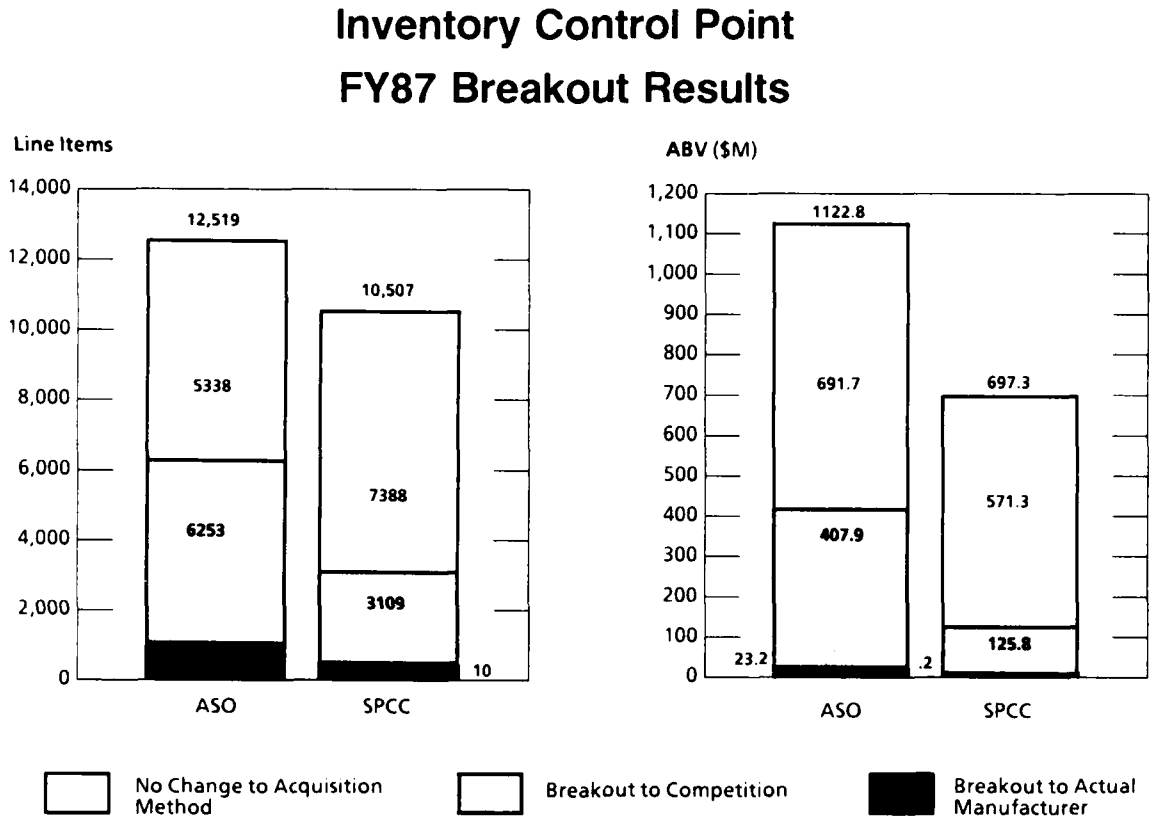
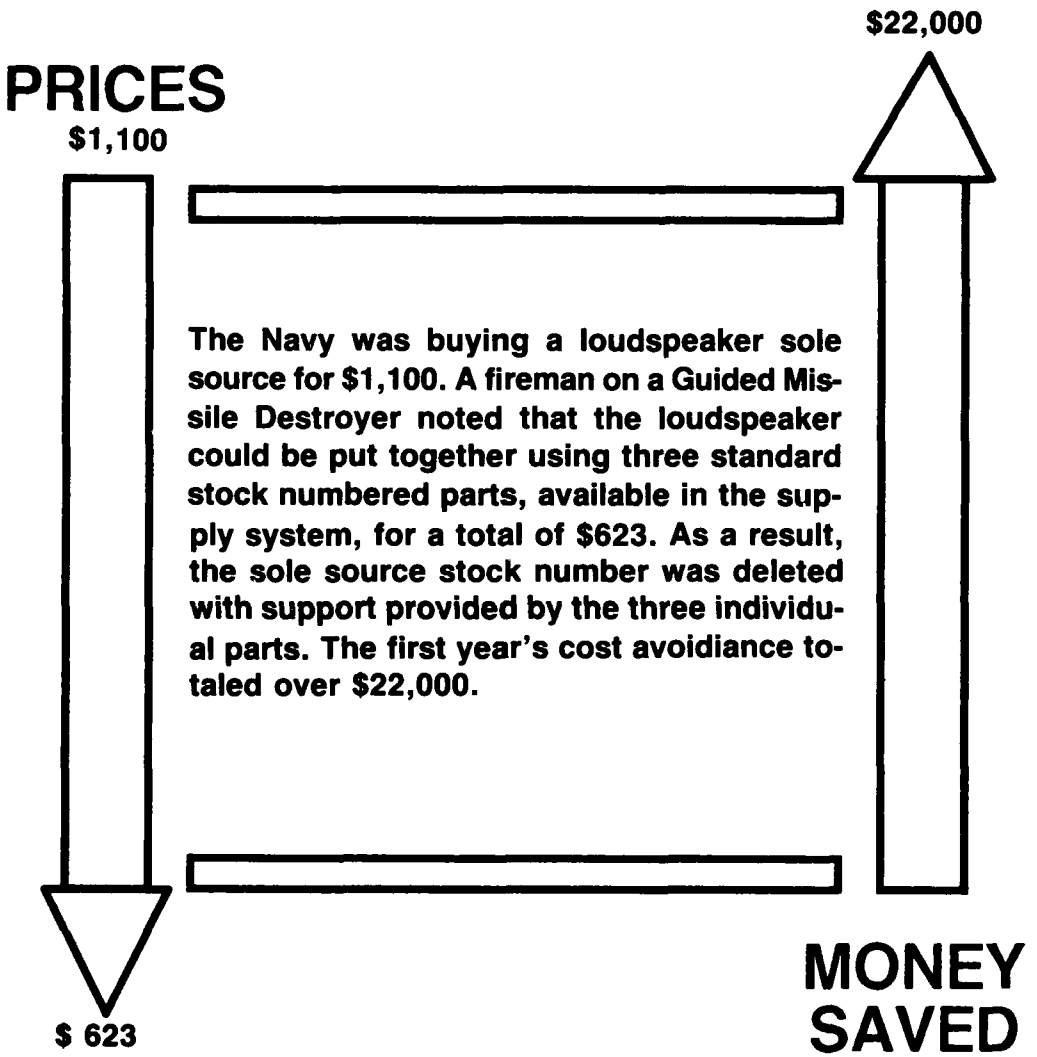


FIGURE 8


$22,000
PRICES
$1,100
The Navy was buying a loudspeaker sole source for $1,100. A fireman on a Guided Missile Destroyer noted that the loudspeaker could be put together using three standard stock numbered parts, available in the supply system, for a total of $623. As a result, the sole source stock number was deleted with support provided by the three individual parts. The first year's cost avoidiance totaled over $22,000.
MONEY SAVED
$ 623

2. Limited Screen Breakout

In addition to full screen reviews, limited screen reviews are conducted on procurements in process. Limited screening of one type or another can be performed by any procurement activity which also has a technical section (e.g., the Inventory Control Points or Naval Supply Centers). The breakout decision is made by the procuring activity based upon data available to the technician on site, or that data which can be furnished in a timely manner by the customer. For this reason, successful limited screen breakouts usually involve material which is not highly technical in nature and for which it is readily apparent that the sole source contractor adds no value whatsoever.

In FY 87, 8,858 of 109,160 limited screen reviews were successfully broken out. This generated $210 million towards the ICP's competition successes.

3. Breakout Enhancements

During the final year of its phased implementation, numerous actions were taken in order to further enhance the breakout program:

— Working with contractors to provide additional information that will permit identification of vendor items that can be procured from other sources. Outstanding cooperation from numerous Navy suppliers has provided real time access to their technical and source data. Use of this information has increased competition and eliminated unnecessary overhead. Current participants are General Electric, Lockheed, Sikorsky, LTV, Pratt and Whitney, Grumman, and McDonnell Douglas.

—Over forty site surveys have been conducted with domestic business concerns to stress the Navy's current requirements.

—Off-shore source development has improved through use of the breakout program.

—Procedures for conducting AMC conferences have been developed.

4. Breaking Technical Data Barriers

The single most critical factor in the success of breakout is the adequacy of technical data. Technical data problems accounted for 63 percent of the breakout failures in FY 87. Problems we have encountered include missing data, inadequate data, proprietary restrictions, and data that was not procured during system acquisition.

a. Screening Limited Rights Data

It is important to prevent unjustified limited rights data from entering the system. Congress expressed their concern with this problem by providing, in Public Law 99-591, a requirement for reviewing, within a three year period, any restriction on the right of the United States to release or disclose technical data developed under contract. This three year period begins on the date of final contract payment or the date on which the data is actually delivered, whichever is later. These provisions are effective with solicitations issued on or after 11 May 1987.

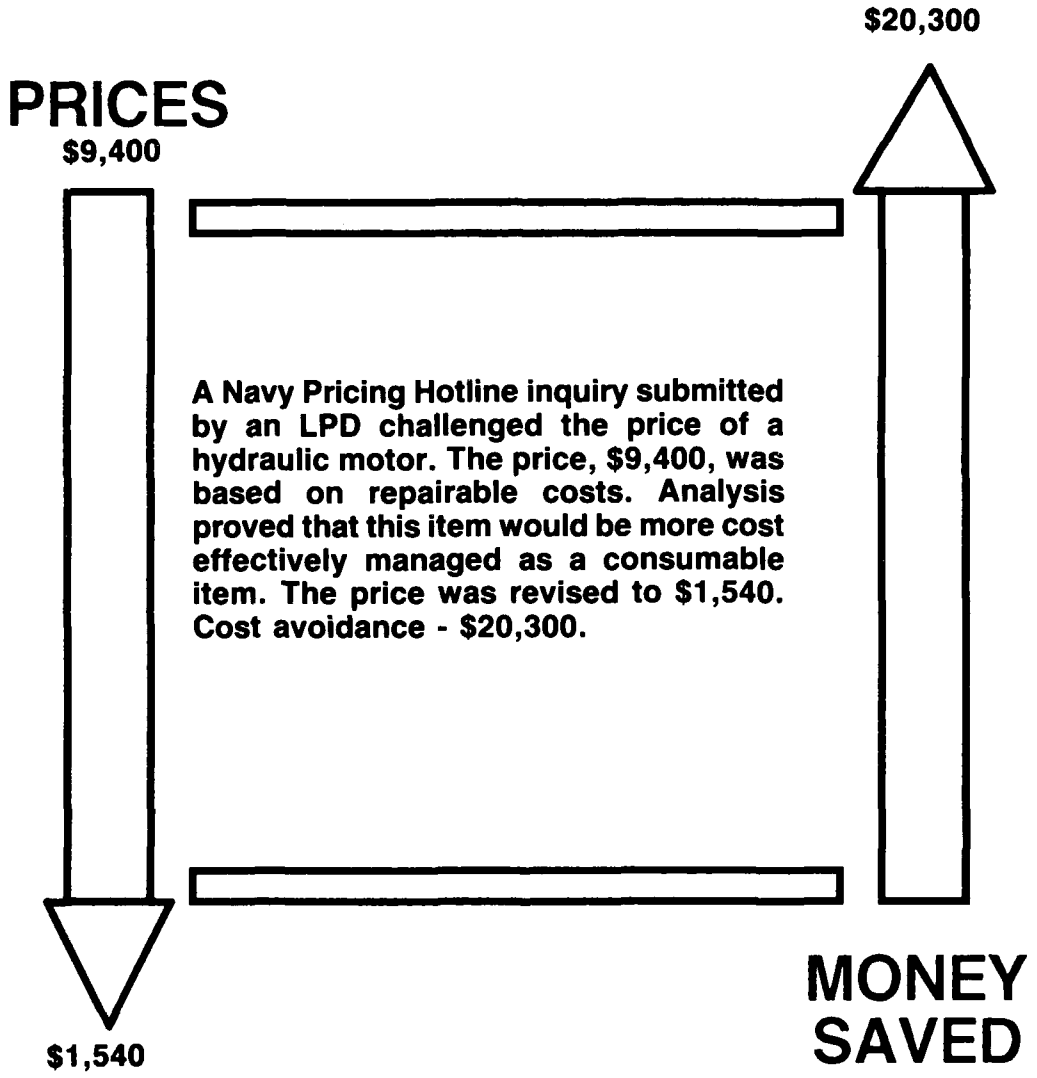
In addition, procedures have been established at several points throughout the procurement process to prevent data with unjustified proprietary legends from being submitted or accepted. We are stressing pre-notification and pre-determination procedures, in-process reviews at contractor plants, and more thorough data acceptance reviews at Navy activities.

b. Challenging Limited Rights Data

In FY 87, the Navy continued its active program of reviewing and challenging contractors' claims of limited data rights in those cases where there was a reasonable basis for believing that evidence of Government funding existed. The Navy's limited data rights efforts are in two stages.

The first stage takes the form of a request to a contractor to voluntarily relinquish his alleged data rights. In FY 87, the Navy sent over 1400 such letters, receiving 391 positive responses with an ABV of $14.9 million. This brings the cumulative total voluntary request letters for FYs 84-87 to 5,575, with 959 positive responses for an ABV of $63.8 million.

The second stage is the formal data challenge procedure. At this point, we investigate the part to see if reasonable evidence exists that the item in question was funded, totally or in part, by the Government. If so, then we challenge with a formal 60-day letter, under the terms of the Rights in Data Clause, DAR 7-109(a) in older contracts, now DFARS 52.227-7013. This clause requires contractors to submit clear and convincing evidence to the contracting officer within 60 days which will establish the contractor's rights to the data.


$20,300
PRICES
$9,400
A Navy Pricing Hotline inquiry submitted by an LPD challenged the price of a hydraulic motor. The price, $9,400, was based on repairable costs. Analysis proved that this item would be more cost effectively managed as a consumable item. The price was revised to $1,540. Cost avoidance - $20,300.
$1,540
MONEY SAVED

During FY 87, the Navy sent 65 formal 60 day challenge letters. Of these, 25 cases, with an ABV of $6 million, were settled in the Government's favor and the decisions accepted by industry. Since Project BOSS began, we have issued over 145 formal challenges.

Additionally, in FY 87, the Navy won its most significant data rights case when the Court of Appeals for the District of Columbia upheld the lower courts decision, favorable to the Navy, in Conax Florida vs. U.S. This case resolved several significant legal issues involving data rights challenges.

c. Reversing the Process

Two programs are in place whereby the Navy can obtain technical data for an item by having it developed by other than the contractor who is holding proprietary data and refuses to allow the Navy to remove the data restrictions.

(1) Reverse Engineering

When technical data is unavailable for an item with a significant ABV, reprocurement data suitable for competition of future requirements may be acquired through reverse engineering. Reverse engineering is the process whereby a complete technical data package (including drawings and specifications) is made as a result of physically examining and measuring existing parts to produce a package with unlimited data rights.

During FY 87, positive progress was made on the DOD Reverse Engineering Pilot Program. Eighteen new items were nominated for inclusion in the program, which currently contains 47 items. The A-6 Oil Cooler and Shipboard Wind Measurement System were placed on contract, while projects on the F-14 Nose Wheel, SSN-637 Main Feed Pump, FFG-7 Distilling Plant, and three wrench assemblies were completed. The total projected life cycle savings for these completed items amounts to $15.4 million. The Navy expects to realize a life cycle cost avoidance of over $120 million for its $10 million investment to date in this program.

(2) Replenishment Parts Purchase or Borrow

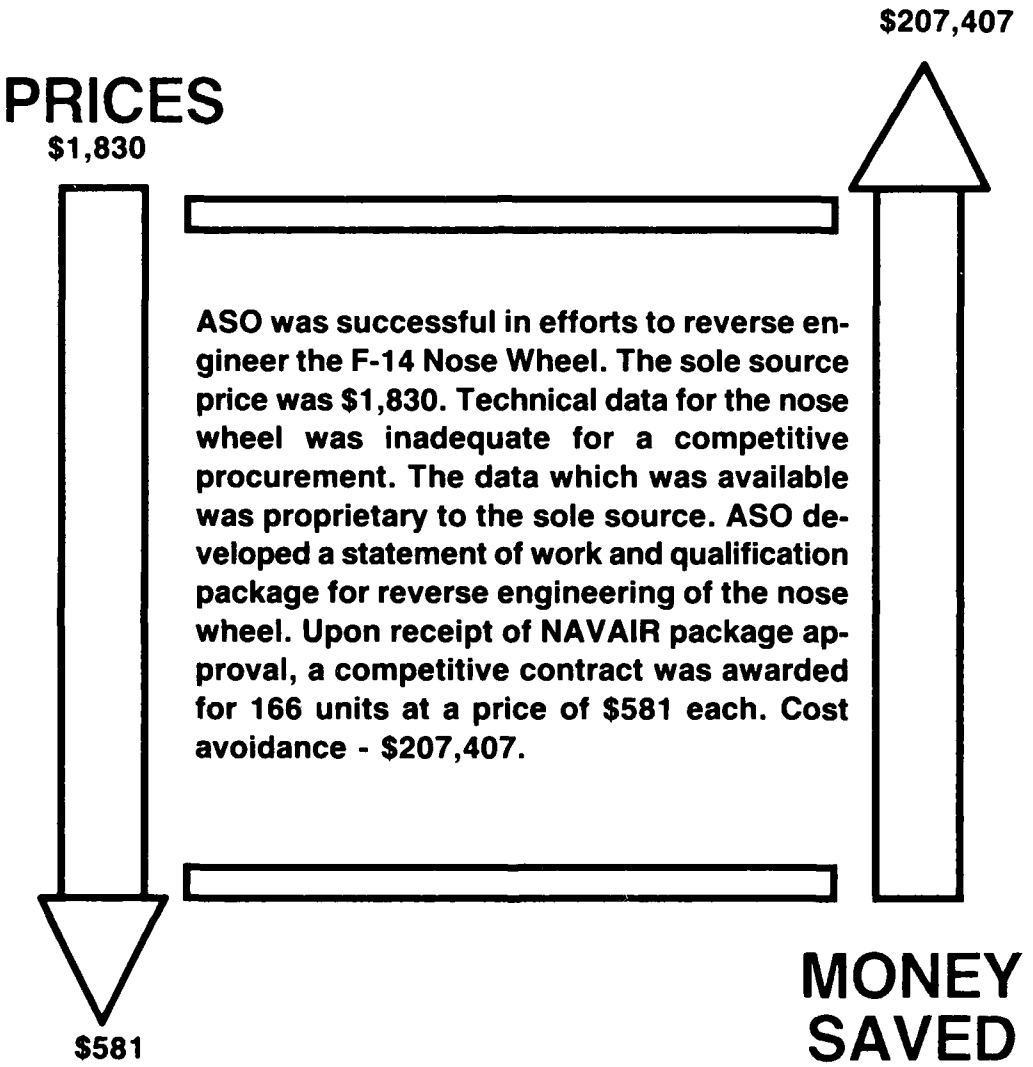
The Replenishment Parts Purchase or Borrow (RPPOB) Program, also known as bailment, was established during FY 87 in response to the Congressional direction of Public Law 98-525. The requirement is to provide domestic business concerns an opportunity to purchase or borrow parts from the Government for the purpose of determining/creating their ability to provide these parts to the Government for future requirements.

Over 100 companies are already participating. Of the nearly 500 items requested, 162 are currently active in the program. As a result, 40 Technical Data Packages have been submitted for Navy review. Of the 17 approved so far, 4 have been used in competitively awarded procurements, resulting in an estimated cost avoidance of $1.5 million to date.

d. Managing Technical Data

Continuing actions taken to resolve technical data problems included the formal establishment of a Department of Navy (DON) Data Management Program focal point and manager within NAVSUP. This function establishes and directs policy applicable to the life cycle of technical data in order to establish uniformity and commonality among DON activities regarding the management of data. SECNAVNOTE 4210 and NAVSO P-3650 are two documents issued in April 1987 which establish Navy policy and provide user guidance for proper technical data acquisition and data management. Currently a SECNAVINST 4210 is being drafted which will make SECNAVNOTE 4210 an instruction and will promulgate NAVSO P-3650.

In addition to providing policy guidance, another goal of the data management function is to bring data managers and users of data together to identify and discuss problems and arrive at coordinated solutions. The goal here is to expose data users and managers to all the arenas which deal with technical data so that a solution to one problem does not result in the creation of problems in other areas. One of the accomplishments during FY 87 was the identification of a Navy tiger team comprised of an ICP reprocurement representative, a quality engineer with in-process review expertise, an engineering support activity representative, hardware systems command representatives and the DON data management representative. This team was established to represent the Department of Navy in a joint service effort to prepare a military specification, DOD-T-XXX, which deals with the preparation of technical data packages. It is intended that this specification will enable all the services to buy the technical data they require in a similar manner and ordering format.


$207,407
PRICES
$1,830
ASO was successful in efforts to reverse engineer the F-14 Nose Wheel. The sole source price was $1,830. Technical data for the nose wheel was inadequate for a competitive procurement. The data which was available was proprietary to the sole source. ASO developed a statement of work and qualification package for reverse engineering of the nose wheel. Upon receipt of NAVAIR package approval, a competitive contract was awarded for 166 units at a price of $581 each. Cost avoidance - $207,407.
$581
MONEY SAVED

One of the reasons given for procurement of inadequate technical data is the lack of formal training. To correct this situation, a formal Navy Training Plan was prepared which provides information on all the courses available throughout the DOD to meet the training needs of breakout program personnel and technical data users. This plan was disseminated throughout the Navy in December 1987.

5. Value Engineering

Value engineering is a technique to identify, document, and eliminate unnecessary functions and requirements which add to the cost of an item but do not improve performance, quality, reliability, maintainability, safety or logistics support.

The Navy's Value Engineering Program was highly successful in FY 87. The Naval Supply Systems Command exceeded $134 million in value engineering cost benefits. Value engineering proposals constituted $10.9 million of these benefits and the remainder came from value analysis. Over 61 Value Engineering Change Proposals were submitted, and over 120 personnel received value engineering training. Value analysis was performed on over 4,440 items. FY88 will bring increased emphasis to maintain the existing program and stimulate in-house proposal development.

6. Looking Forward

Although we have reached our steady state level of 23,000 items receiving full screen breakout reviews each year, significant opportunities still exist to improve acquisition methods and thus reduce the prices paid for spares. The Navy is expected to again perform 23,000 breakout reviews on sole source coded items in FY 88.

C. FAIR AND REASONABLE PRICES

Project BOSS has taken two major approaches to ensuring that we pay only fair and reasonable prices for spare parts.

The front-end approach uses the PRICE FIGHTER Detachment's capability to perform a SHOULD COST analysis and the BUYER TECH LINE. The back-fit approach is the the Navy's Pricing Hotline, which provides an avenue for Navy personnel to report suspected overpriced items.

These programs were very successful in achieving significant cost avoidance for Fiscal Year 1987.

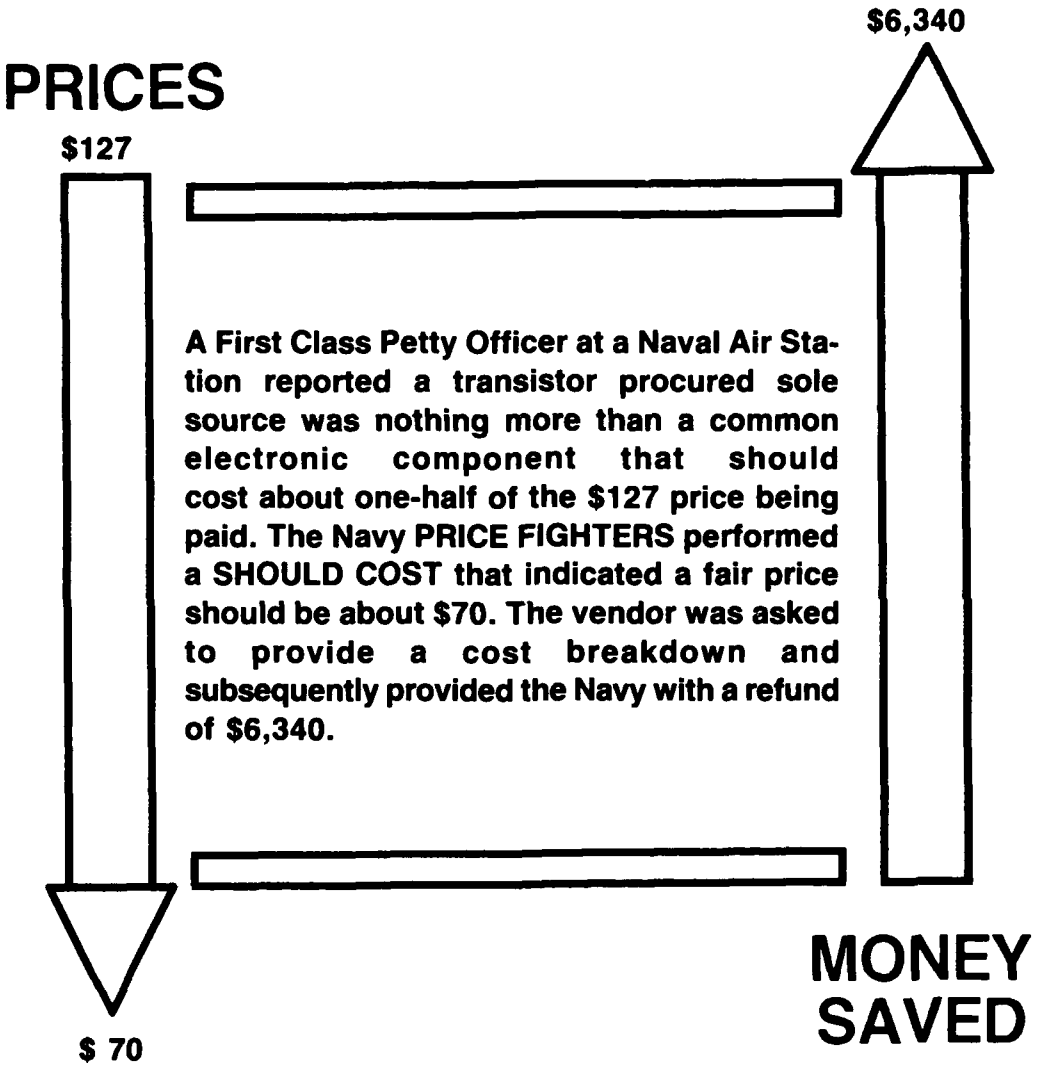
1. Price Fighter Detachment

PRICE FIGHTER, a detachment of engineers, industrial engineering technicians and equipment specialists who perform SHOULD COST Analyses on Navy spare parts, was created in November 1983 as a division of the BOSS Program. Target unit prices established by PRICE FIGHTER are used by procurement personnel as negotiating tools when contracting for an item.

FY 87 for the PRICE FIGHTER Detachment was one of success, evidenced by the following major achievements:

—A total of $31.6 million in identified actual savings, attributed to completed SHOULD COST analyses, was reported by the PRICE FIGHTER Detachment in FY 87.

—A total of 4,441 completed SHOULD COST analyses were conducted with 1,402 being determined fair and reasonable and 3,039 overpriced. This case load represented a 65.8 percent increase over the FY 86 cases completed. (See Figure 9)


$6,340
PRICES
$127
A First Class Petty Officer at a Naval Air Station reported a transistor procured sole source was nothing more than a common electronic component that should cost about one-half of the $127 price being paid. The Navy PRICE FIGHTERS performed a SHOULD COST that indicated a fair price should be about $70. The vendor was asked to provide a cost breakdown and subsequently provided the Navy with a refund of $6,340.
MONEY SAVED
$ 70

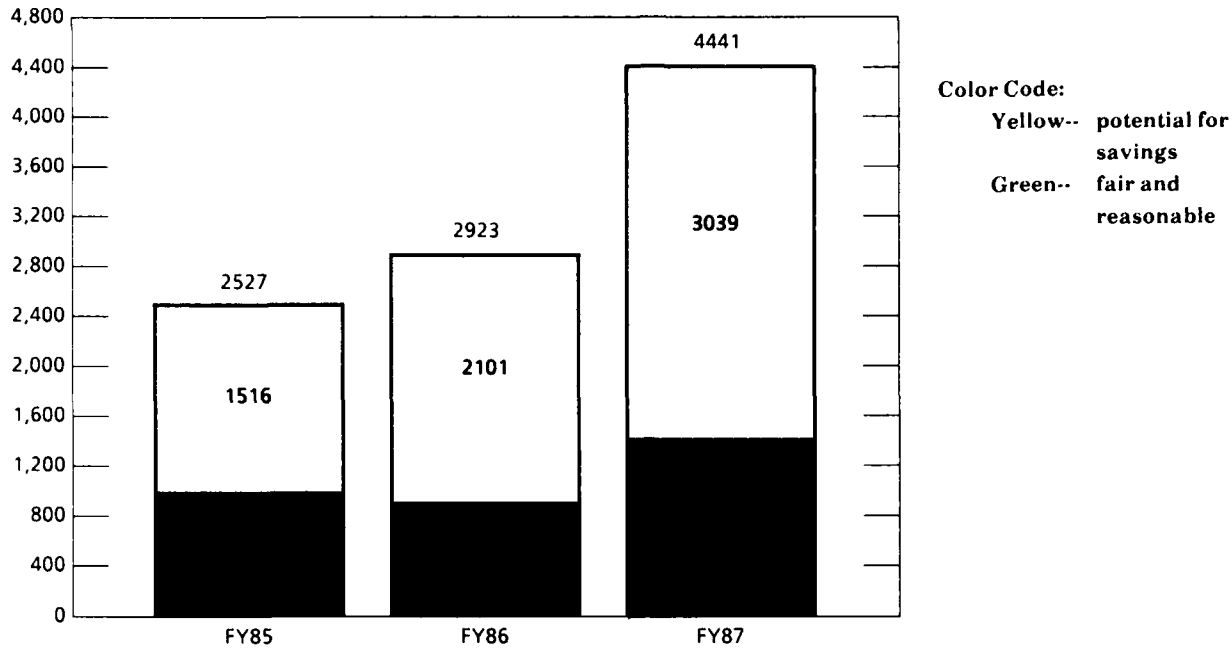


FIGURE 9

—Of the 988 price challenges submitted to the PRICE FIGHTER Detachment for SHOULD COST analysis through the Navy Pricing Hotline, 466 were determined overpriced, realizing a total potential cost avoidance of over $14.5 million.

The increased tempo of operations at the PRICE FIGHTER Detachment and the success of new initiatives in FY 87 are indicative of a dynamic workforce not content with the status quo but willing and capable of achieving greater success through aggressiveness, cooperation, technical competence and professionalism.

a. Buyer Tech-Line

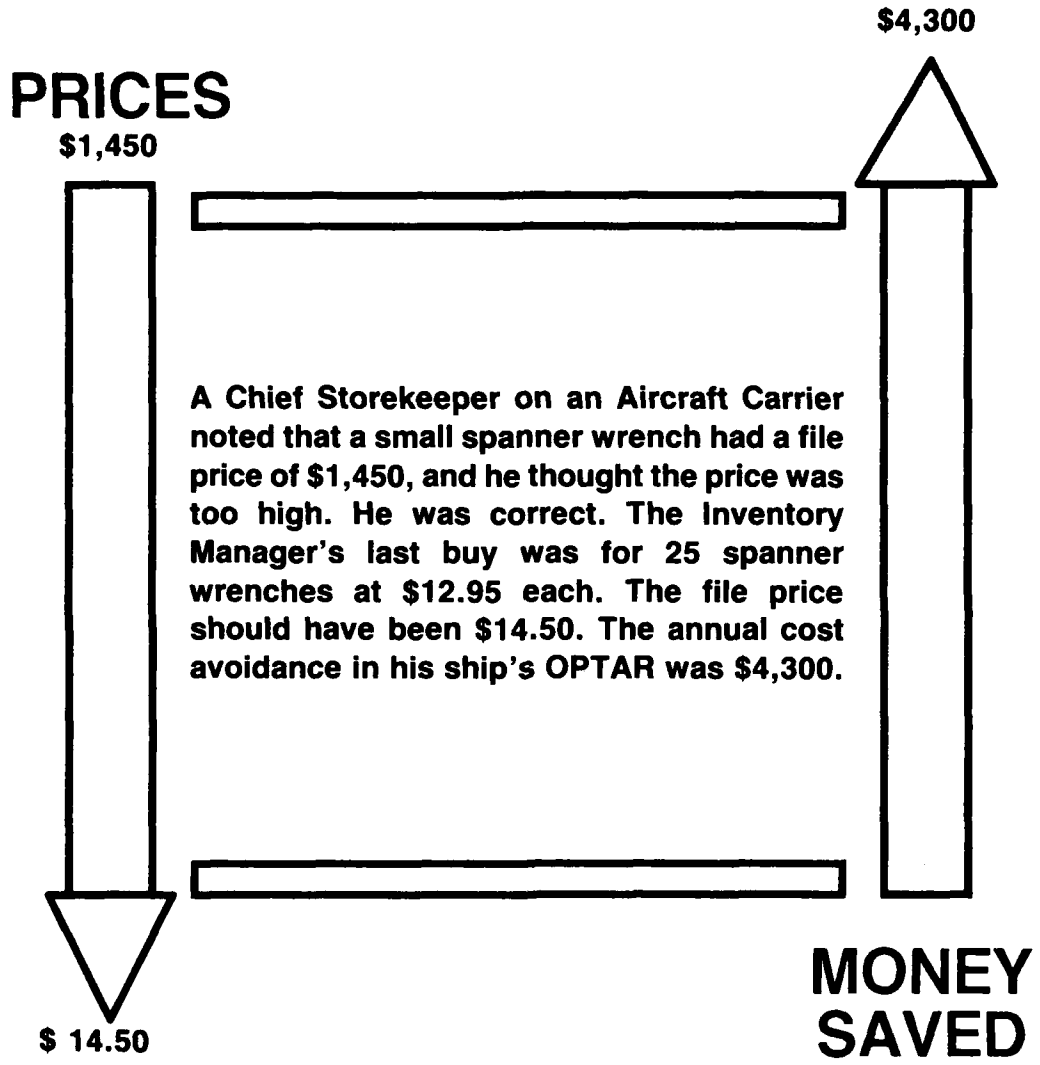
The PRICE FIGHTER Detachment's Buyer Tech-Line Program began as a pilot test project for buyers in the Norfolk, Virginia area. The program was so successful that it was expanded Navy-wide to all Navy Field Contracting System (NFCS) activities and subordinate buying commands in November 1986.

Since establishment of the Buyer Tech-Line, there have been 889 calls from 102 activities. During FY 87 alone, 639 calls were received from 89 activities, resulting in an actual FY 87 cost avoidance in excess of $30 million.

The telephone number for the BUYER TECH-LINE is AUTOVON 565-1662, or commercial 804-445-1662. This service is available 24 hours a day.

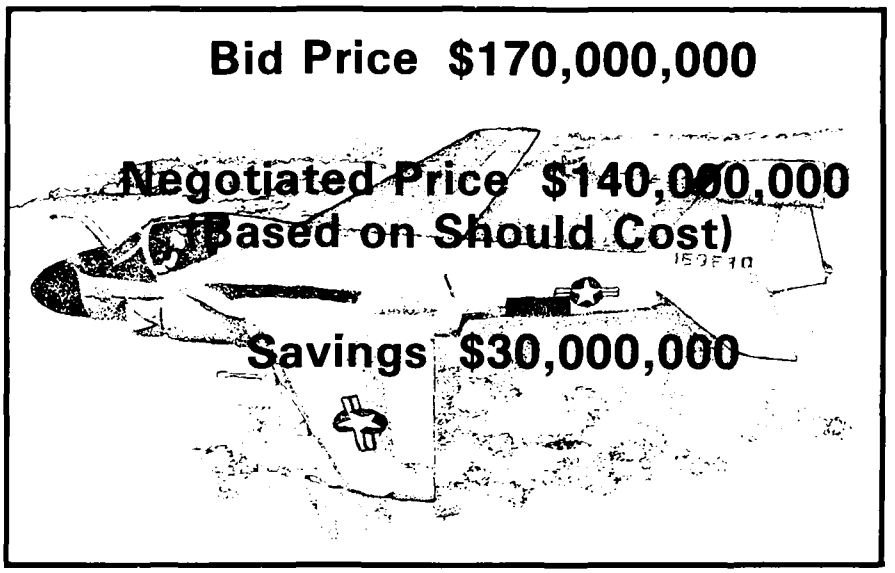
b. "Bad Apple" Program

The Detachement's "Bad Apple" program was among the major successes during FY 87. This program operated under the premise that referred items determined to be overpriced should be further researched to identify other potentially overpriced items: mirror image items, similar items in the same weapons system, similar items manufactured by the same contractor, and like items in related weapons systems. The SHOULD COST analyses are forwarded to the appropriate buying commands. The efforts in this program have resulted in 1,514 completed SHOULD COST analyses with 478 determined fair and reasonable and 1,036 (or 68 percent) overpriced, for a potential cost avoidance of $11 million.


$4,300
PRICES
$1,450
A Chief Storekeeper on an Aircraft Carrier noted that a small spanner wrench had a file price of $1,450, and he thought the price was too high. He was correct. The Inventory Manager's last buy was for 25 spanner wrenches at $12.95 each. The file price should have been $14.50. The annual cost avoidance in his ship's OPTAR was $4,300.
$ 14.50
MONEY SAVED

c. Expanding to Systems

During FY 87, PRICE FIGHTER expanded its scope to include working with Hardware Systems Commands (HSCs) on large complex weapons systems. They rapidly proved their worth by performing SHOULD COST analyses and providing technical assistance in negotiations for the EA-6B AN/ALQ-99 RF Countermeasures Set (Universal Exciter) buy and pending negotiations for the EA-6B Tactical Jamming System by Naval Air Systems Command. The particulars of these two cases involve:



RF COUNTERMEASURES SET EA6B AIRCRAFT

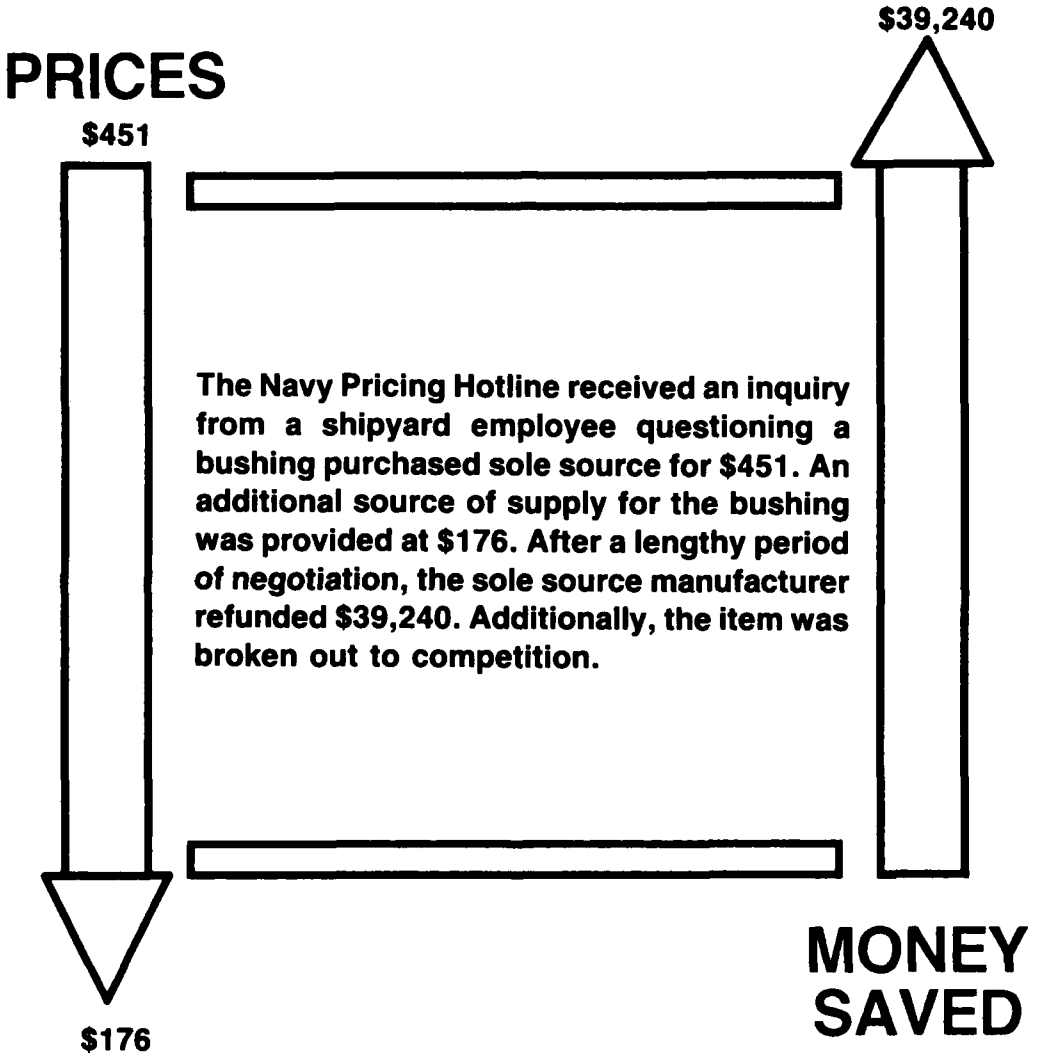
(1) EA-6B RF Countermeasures Set (Negotiated in FY 87)

—Over 7,000 manufacturer's drawings reviewed/analyzed
—Pricing of 2,468 material components
—PRICE FIGHTER Detachment representation at negotiations
—FY87 actual savings of $30 million
—FY88-89 projected savings of $27 million (firm-fixed price options)

(2) EA-6B Tactical Jamming System (Negotiations in FY 88

—40 individual components with over 9,000 manufacturer's drawings reviewed/ analyzed.

—Negotiations to commence in November 1987


$39,240
PRICES
$451
The Navy Pricing Hotline received an inquiry from a shipyard employee questioning a bushing purchased sole source for $451. An additional source of supply for the bushing was provided at $176. After a lengthy period of negotiation, the sole source manufacturer refunded $39,240. Additionally, the item was broken out to competition.
MONEY SAVED
$176

e. Other Achievements

Another major accomplishment of the Detachment in FY 87 was the publication of a quarterly newsletter directed to Navy buyers. The newsletter (P.F. FLYER) was initially sent to 25 commands with a total of 200 copies distributed. The success of this effort is recognized by the fact that demand has resulted in the newsletter presently reaching 179 commands with a total of 625 copies being distributed.

The PRICE FIGHTER Detachment's implementation of a Computer Local Area Network has effectively streamlined operations by allowing the accumulation and reporting of comprehensive statistics on spare parts pricing by weapons system. The impact of this initiative is reflected directly in the number of completed cases in FY 87 as compared to previous years.

The PRICE FIGHTER Detachment has also been honored by receiving nominations for the following awards during FY 87:

—Department of the Navy Procurement Competition Award

— Secretary of the Navy ACTION '88 Value Engineering Award - Field Activity

The Detachment was visited by dignitaries/VIPs from both the United Kingdom and Canada during FY 87. The importance of these visits can be recognized in the fact that both countries have indicated plans to establish organizations within their respective governments similar to the PRICE FIGHTER Detachment in concept and operation.

2. Navy Pricing Hotline

The Navy Fleet Material Support Office (FMSO) operates the Navy's Pricing Hotline as a part of Project BOSS. The Hotline serves as the single point of contact for all pricing inquiries in the navy, and accepts inquiries from other services on Navy procured material.

The Hotline has continued to be a successful avenue for identifying overpriced items and correcting inaccurate prices. There were 10,006 inquiries received in FY 87, up from 8,466 reported last year. (See Figure 10).

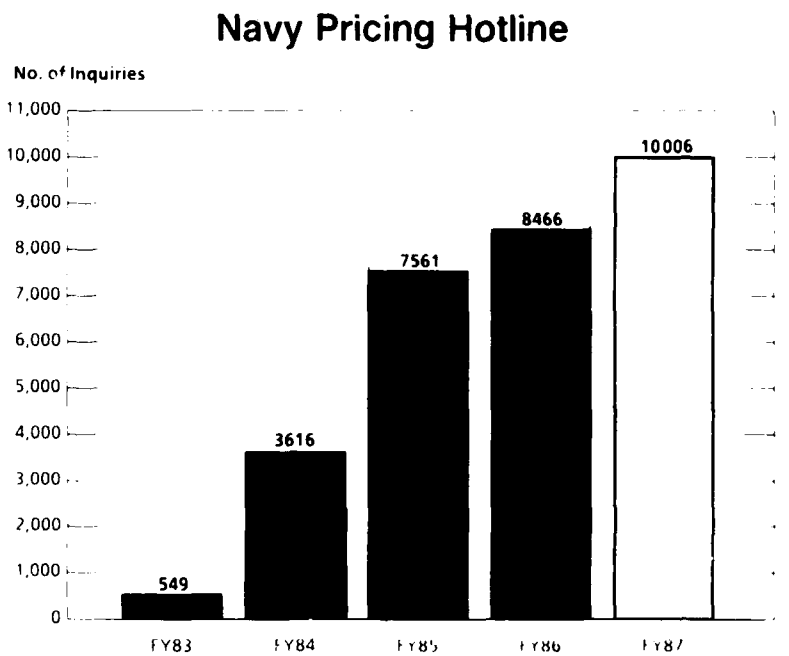
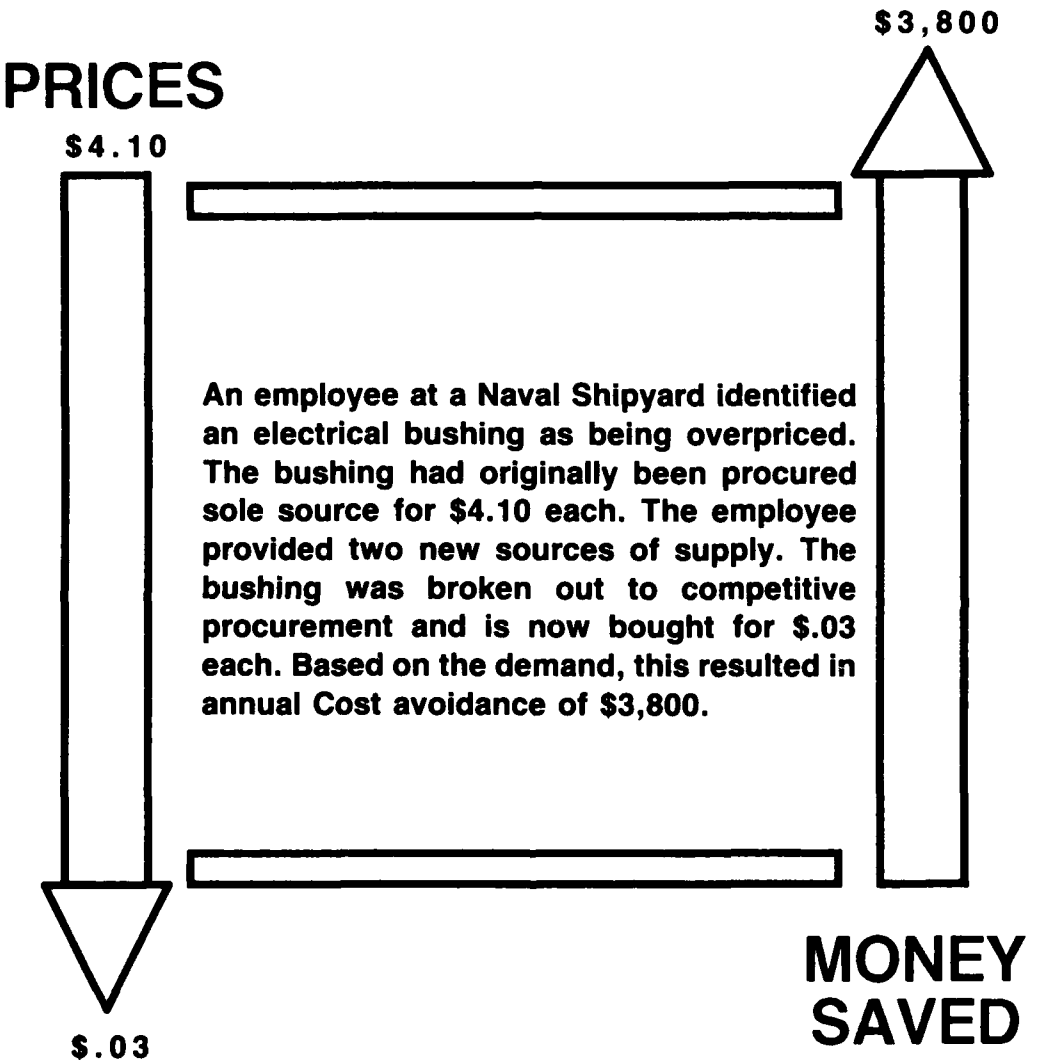


FIGURE 10


$3,800
PRICES
$4.10
An employee at a Naval Shipyard identified an electrical bushing as being overpriced. The bushing had originally been procured sole source for $4.10 each. The employee provided two new sources of supply. The bushing was broken out to competitive procurement and is now bought for $.03 each. Based on the demand, this resulted in annual Cost avoidance of $3,800.
$.03
MONEY SAVED

Price challenges have been received from 565 ships (including Military Sealift Command and Coast Guard ships) and over 1,300 different Navy, Marine Corps, Air Force, and Army commands. The challenges were received by the Suspected Overpricing Notification Form (enclosed as Appendix F to this BOSS Annual Report), telephone, message and letter.

Of the cases closed to date, price decreases have occurred on 22.8 percent of the NSNs. Where overpricing was suspected, refunds were vigorously pursued. Fifty-five contractor refunds, as a result of investigations initiated by a Hotline inquiry, have been received in FY 87 by Navy, DLA and GSA Inventory Control Points, totaling over $234,000. Refunds received as a result of price challenges since the beginning of BOSS have totaled over $1 million.

a. Hotline Procedures

(1) When a pricing inquiry is received, it is immediately acknowledged by letter to the inquirer's Commanding Officer. The inquiry is also recorded in FMSO's Price Inquiry Processing System (PIPS) data base which currently holds data on every price inquiry received over the past four years.

(2) After a preliminary review by Pricing Hotline analysts (for verification of NSN, cognizance, and price), the inquiry is referred to the actual procuring activity for investigation. The procuring activity could be a Navy Inventory Control Point (ASO, SPCC), a Defense Logistics Agency Inventory Manager (DCSC, DESC, etc.), or the General Services Administration. They will investigate the price inquiry and report the results to FMSO.

(3) FMSO pricing analysts then review the results to ensure a complete, reasonable and understandable response is provided.

(4) When all questions are answered, and the investigation is considered complete, a final report is provided to the inquirer via his/her Commanding Officer.

The Navy Pricing Hotline number is AUTOVON 430-2664 or commercial (717) 790-2664. For easy reference, these numbers are displayed on the back cover of this Annual Report. Inquirers may contact the Pricing Hotline at AUTOVON 430-3227, to determine the status of their price inquiries.

b. Improving Quality and Timeliness of Responses

Due to the continual increase in pricing inquiries received, it has been a major challenge to provide timely, quality responses. This was a principal area of emphasis in FY 87 and great progress was made.

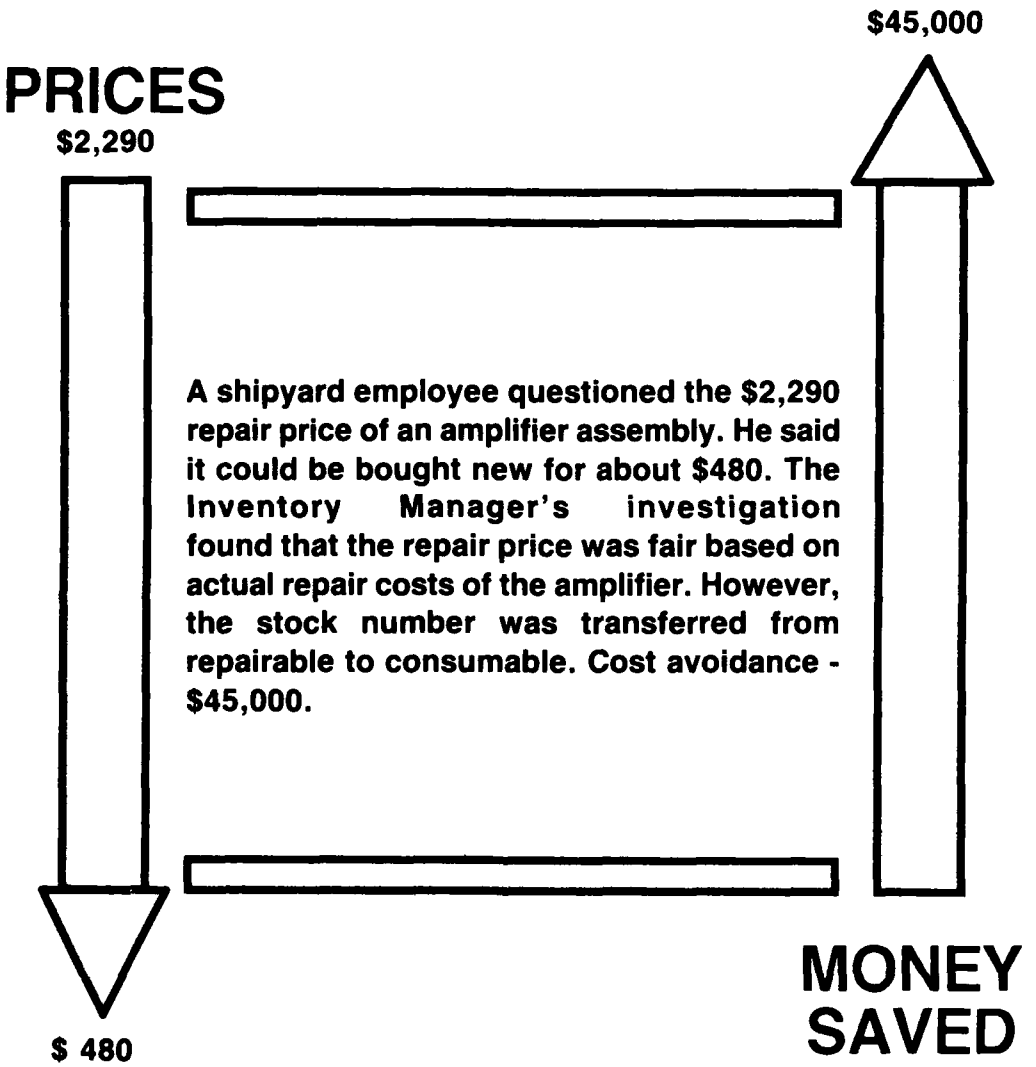
Our goal is to provide an acknowledgement of your inquiry within seven days, and a complete answer within 90 days. On 30 September 1986 we had a total of 3,481 cases under investigation. The backlog as of 30 September 1987 stood at 3,781. The increased backlog was the result of two major factors.

First was the fact that inquiries were up 18 percent over FY 86 (see figure 10). The second factor was our effort to improve the quality of response letters.

In May 1987, we launched an extensive quality improvement program. Step one to our quality improvement program has been to ensure that all questions are addressed. These questions might include a comparison or interchangeable stock number and/or an additional source of supply. Our mission is to answer each of an inquirers concerns, no matter how complex. We are also using a more direct style in our answers to make our letters as user friendly as possible. If you receive a letter from FMSO which is not satisfactory, for whatever reason, please call the person listed as a contact and voice your concern. We value your input to this program.

Great progress was made in FY 87 at reducing the backlog of overaged cases. At the end of FY 86, there were 1,029 cases over 180 days old and 1,761 cases over 90 days old. At the end of FY87, cases over 180 days old had been reduced to 327 while cases over 90 days old dropped to 1,080.

Our most revealing statistic for judging improvement in processing times is the average age of outstanding cases at the inventory managers. The average age of all cases at the end of FY 86 was 210 days. This has been reduced to 107 days as of the end of FY 87. (See Figure 11.) The goal for inventory managers to complete their reviews on pricing hotline cases is 76 days.


$45,000
PRICES
$2,290
A shipyard employee questioned the $2,290 repair price of an amplifier assembly. He said it could be bought new for about $480. The Inventory Manager's investigation found that the repair price was fair based on actual repair costs of the amplifier. However, the stock number was transferred from repairable to consumable. Cost avoidance - $45,000.
$ 480
MONEY SAVED

All Inventory Manager's Average Age of Outstanding Case

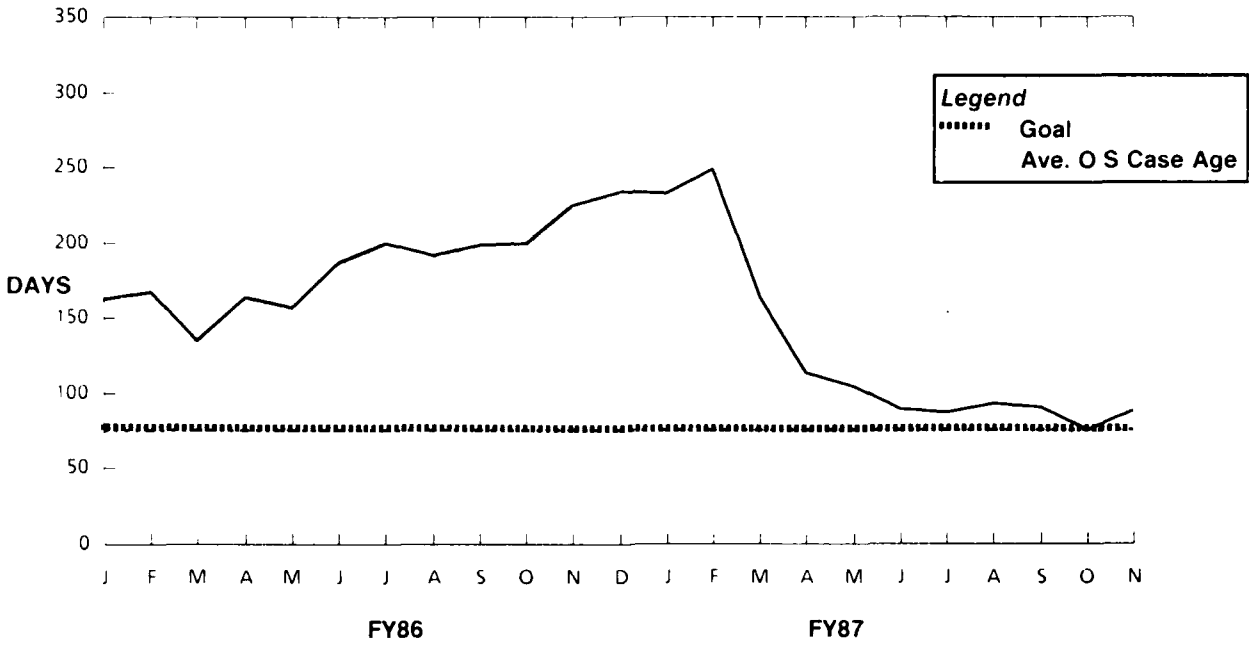
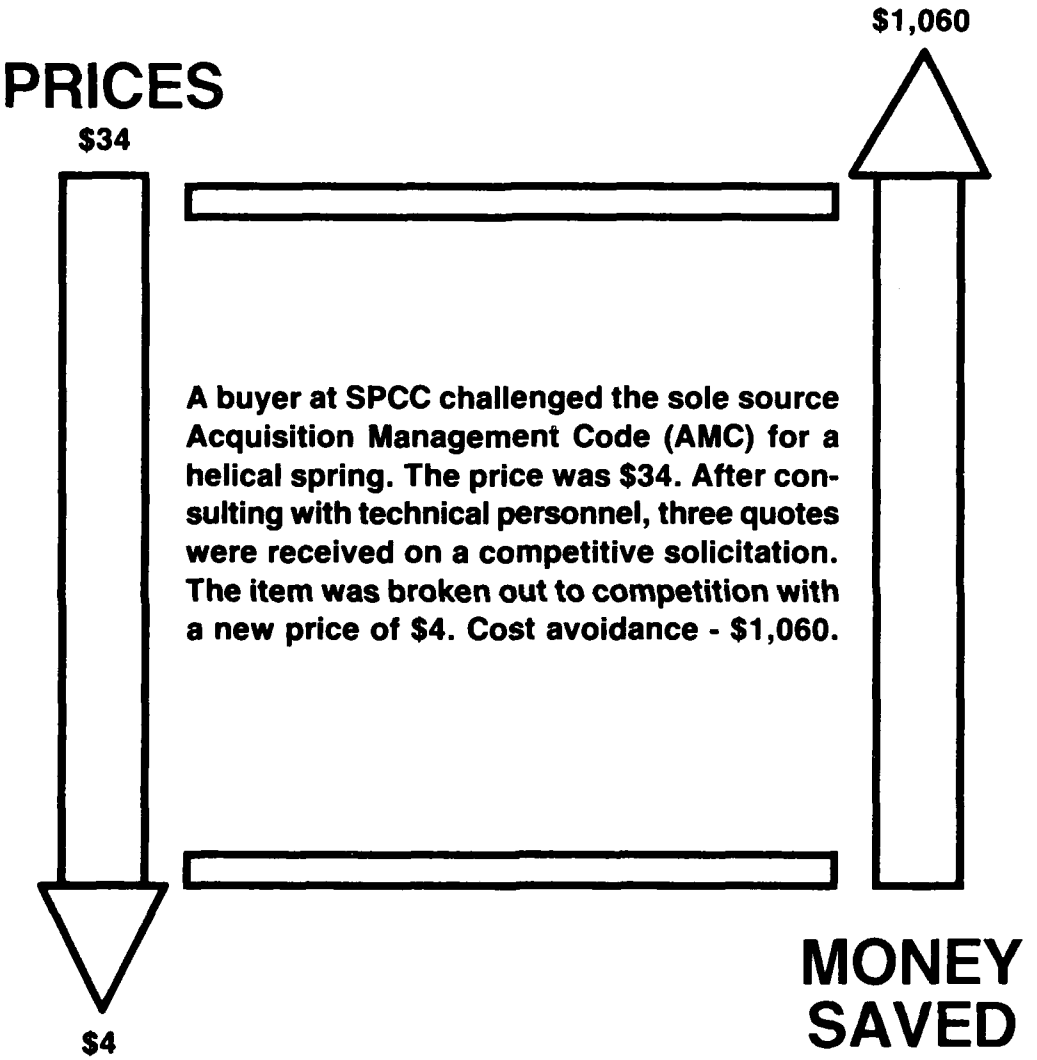


FIGURE 11

c. Navy Pricing Hotline Cash Awards Program

OPNAVNOTE 1650 was signed by the Vice Chief of Naval Operations on 24 August 1987. The Notice announced the availability of centralized funding for Navy Pricing Hotline awards to Navy military and civilian personnel, as recommended by FMSO.

Inquiries received on or after 24 August 1987 are eligible for centralized funding. Forwarded with the closing correspondence will be a certificate of commendation (newly established in August 1987) and funding citation on a NAVCOMPT Form 2275. This form can be used to directly pay civilian personnel while the funding line can be used to pay military personnel in accordance with current Joint Uniform Military Pay System (JUMPS) procedures. Inquiries received prior to 24 August 1987 are still eligible for awards (the award amount will be recommended in our closing correspondence) under OPNAVINST 1650.8B procedures for military and Civilian Personnel


$1,060
PRICES
$34
A buyer at SPCC challenged the sole source Acquisition Management Code (AMC) for a helical spring. The price was $34. After consulting with technical personnel, three quotes were received on a competitive solicitation. The item was broken out to competition with a new price of $4. Cost avoidance - $1,060.
$4
MONEY SAVED

Instruction (CPI) 451 procedures for civilian personnel.

Tangible savings (refunds, reduced prices on an actual procurement) will result in a cash award recommendation, regardless of the number or date of any previous awards provided to an individual. However, individuals whose inquiry resulted in an intangible savings (such as a file error correction, correction of an estimated price, etc.) will only be eligible for a cash award once each six months. The cash awards categories are listed in Table 2.

CASH AWARD CATEGORIES

Category	Type	Definition
1	Tangible	Refund
2	Tangible	Reduced price on an actual buy
3	Intangible	File error
4	Intangible	Consolidation of stock numbers(NSNs)
5	Intangible	Change in repair policy/location
6	Intangible	Early price change (i.e. the price would have changed next fiscal year but was corrected early as a result of a price inquiry)
7	Intangible	A new source of supply; breakout from sole source
8	Intangible	Correction of an estimated price

TABLE 2

3. Refunds

During FY 87, we successfully continued our campaign against being overcharged by industry. Twenty-one major defense contractors refunded $1,805,271 in 57 different transactions. The Naval Plant Representative Offices (NAVPROs), Supervisors of Shipbuilding, Conversion and Repair (SUPSHIPs), and Navy Field Contracting System (NFCS) commands all contributed to our success.

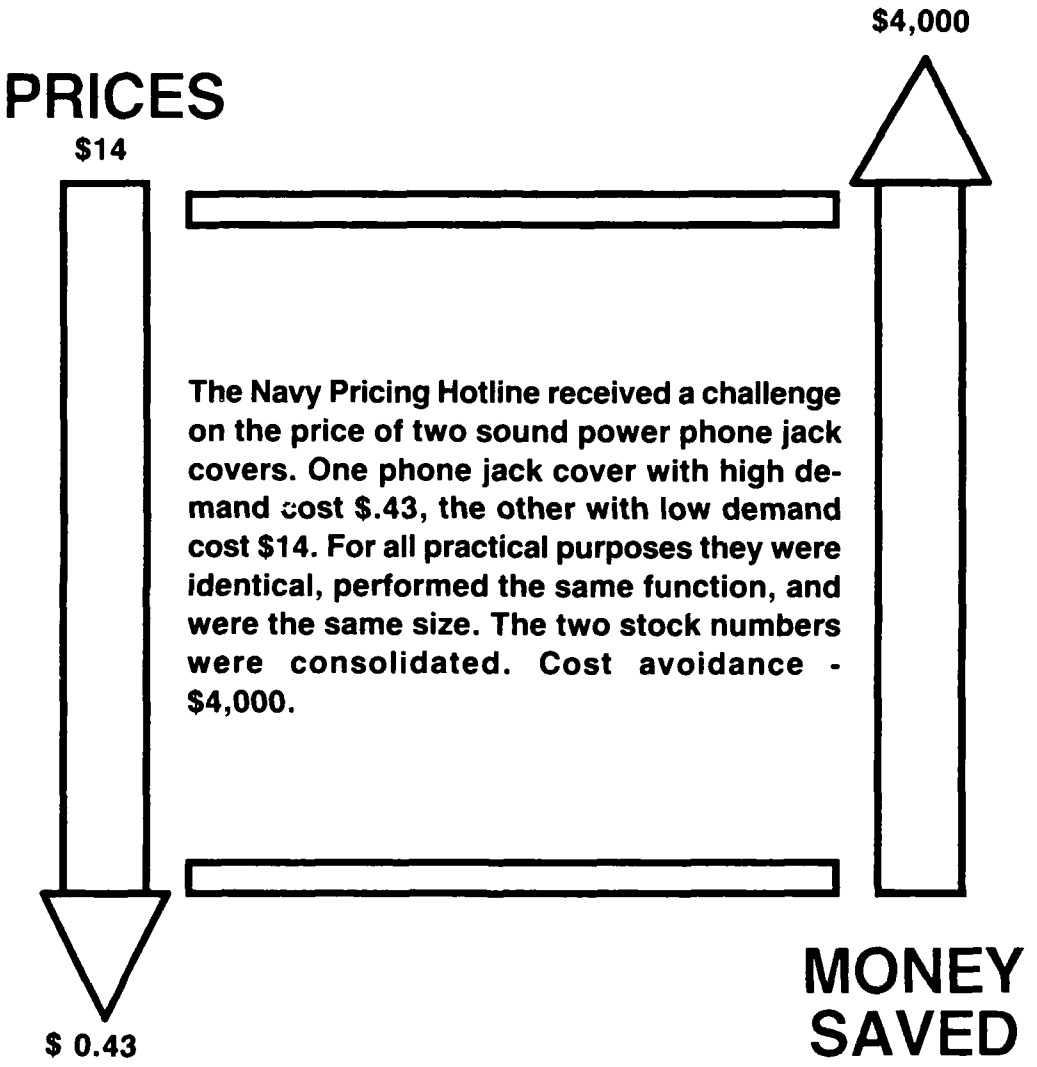
As a part of our efforts to have clear and achievable refund policies, the Navy promulgated a revised refund clause in September 1987. The Navy policy on refunds for spare parts and items of support equipment was further refined in FY 87, establishing a two-year time limit (from final delivery) for refund requests when the Navy Acquisition Regulations Supplement (NARSUP) 52.242-2 is incorporated in the contract.

4. Procurement of Spares Concurrent with Production of End Items

Spares Acquisition Integrated with Production (SAIP) and Timely Spares Provisioning (TSP) are two Navy programs which seek to lower the cost of spare parts purchased from prime contractors during weapons system production. By placing spares orders within the specified time when the prime contractor is buying materials for production, he can attain a quantity price break which can in turn be passed on to the Navy in both the cost of production materials and prices paid for spares.

Program Managers have recognized that this type of procurement scheduling is beneficial for both themselves and the spares community. During FY 87, spares orders were placed within the production order windows for several weapons systems including the HARM and HARPOON Missile Spare Guidance Systems, the ADCAP Torpedo and the AN/BSY-1 Combat Control System. SAIP/TSP cost avoidances of over $21 million were reported during FY 87.

Many candidate programs have been identified for expansion of this procurement technique during FY 88.


$4,000
PRICES
$14
The Navy Pricing Hotline received a challenge on the price of two sound power phone jack covers. One phone jack cover with high demand cost $.43, the other with low demand cost $14. For all practical purposes they were identical, performed the same function, and were the same size. The two stock numbers were consolidated. Cost avoidance - $4,000.
$ 0.43
MONEY SAVED

III. ADVANCED LOGISTICS TECHNOLOGY

Adequate reprocurement data is critical to improving spares competition. Our efforts in this area concentrate on creating a more efficient breakout, competition and acquisition process through automation and advancing technology.

A. CALS

Computer-Aided Acquisition Logistics Support (CALS) is a major DOD initiative to make use of current and emerging technology to design more supportable weapon systems; transition from paper-based to computerized digital logistics and technical information; and, for new weapons systems, to routinely acquire and distribute logistics and technical information in digital form. The major Navy CALS initiative adds new dimensions to the BOSS process by improving on-line access to accurate technical data, expanding the competition base, and by reducing the quantity of spares required to support Navy weapon systems. Primary BOSS-related CALS efforts include:

1. NSTIS

The Navy Standard Technical Information System (NSTIS) is designed to integrate multiple technical data automation projects by developing and implementing a data communications architecture and appropriate data exchange standards. NSTIS will provide the means to link the users of technical information to appropriate data repositories and indices. In addition, it will provide the software, documentation and procedures to ensure that technical information in digital form complies with specifications and standards prior to storage in a digitally-based data repository. FY 87 accomplishments include coordination of proposed digital data standards for automating engineering drawings and technical publications and development of a Navy-wide information architecture concept.

2. EDMICS

The Engineering Data Management Information and Control System (EDMICS), a joint effort involving the Navy and the Defense Logistics Agency (DLA), will provide a state-of-the-art computer system for eight Navy and four DLA engineering data repositories, with options for up to thirty-five user sites such as Naval Shipyards and Navy Aviation Depots. Using an EDMICS system, existing microfilm and hardcopy records will be scanned, digitized and stored on optical discs. Other EDMICS features include:

—Acquisition, cataloging, storage, distribution and reproduction of technical information in electronic form.

—Exploitation of networking, data exchange, scanning, delivery systems, data base management, and other technologies.

—Incorporation on on-demand technical information reproduction concepts.

—Implementation of applicable CALS digital standards for the acquisition, storage, reproduction, and distribution of technical information.

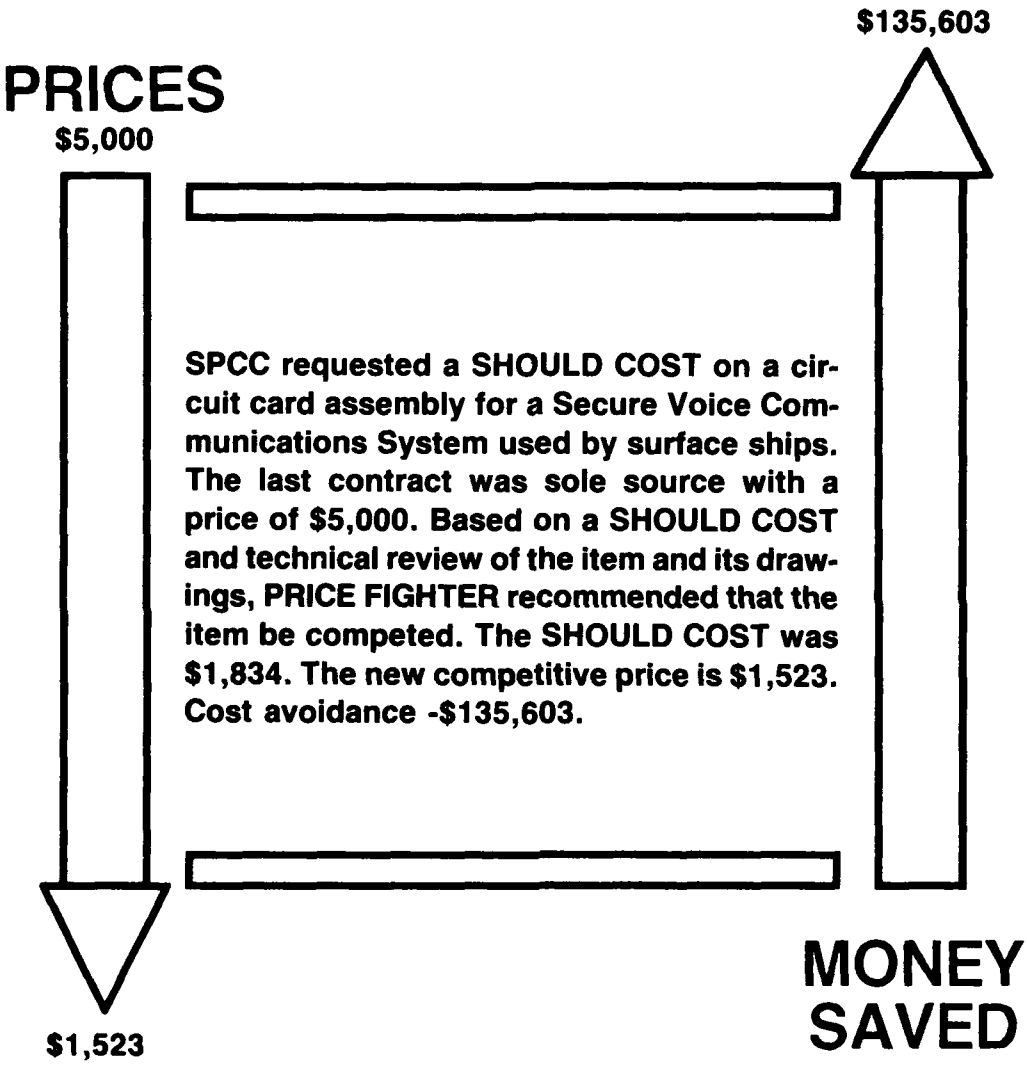
—Capabilities for access by other services, governmental agencies, and contractors, as appropriate.

During FY 87, a Delegation of Procurement Authority was granted to the Navy by the General Services Administration for issuance of a contract to procure EDMICS systems, and the Navy ADP Selection Office issued the EDMICS Request for Proposals.

3. RAMP

Another major Advanced Logistics Technology initiative is the Rapid Acquisition of Manufactured Products (RAMP) project. RAMP involves the application of advanced computer-integrated manufacturing (CIM) technology to the production of Navy spare parts. The objective of the RAMP project is to develop the capability to produce selected classes of out-of-stock or out-of-production parts on demand. Under the RAMP concept, computer-interpretable specifications for the required item will be communicated to an automated manufacturing facility, and the part will be produced in a flexible manufacturing workcell and shipped directly to the end user.

RAMP offers significant opportunity for improved readiness through increased availability of spare parts, decreased procurement and administrative lead times (up to 90% lower), alternate sources for spare parts, and better use of available storage space.


$135,603
PRICES
$5,000
SPCC requested a SHOULD COST on a circuit card assembly for a Secure Voice Communications System used by surface ships. The last contract was sole source with a price of $5,000. Based on a SHOULD COST and technical review of the item and its drawings, PRICE FIGHTER recommended that the item be competed. The SHOULD COST was $1,834. The new competitive price is $1,523. Cost avoidance -$135,603.
MONEY SAVED
$1,523

The thrust of the RAMP project is the development of prototype flexible manufacturing workcells to produce small mechanical parts and printed wiring assemblies. These workcells will be assembled and integrated in a RAMP Test and Integration Facility, then installed in Navy industrial facilities. In FY 87, we completed step one conceptual design specifications and began the detailed design process. Operational capability within the Navy sites is expected in FY 91.

B. LOGISTICS RESEARCH AND DEVELOPMENT

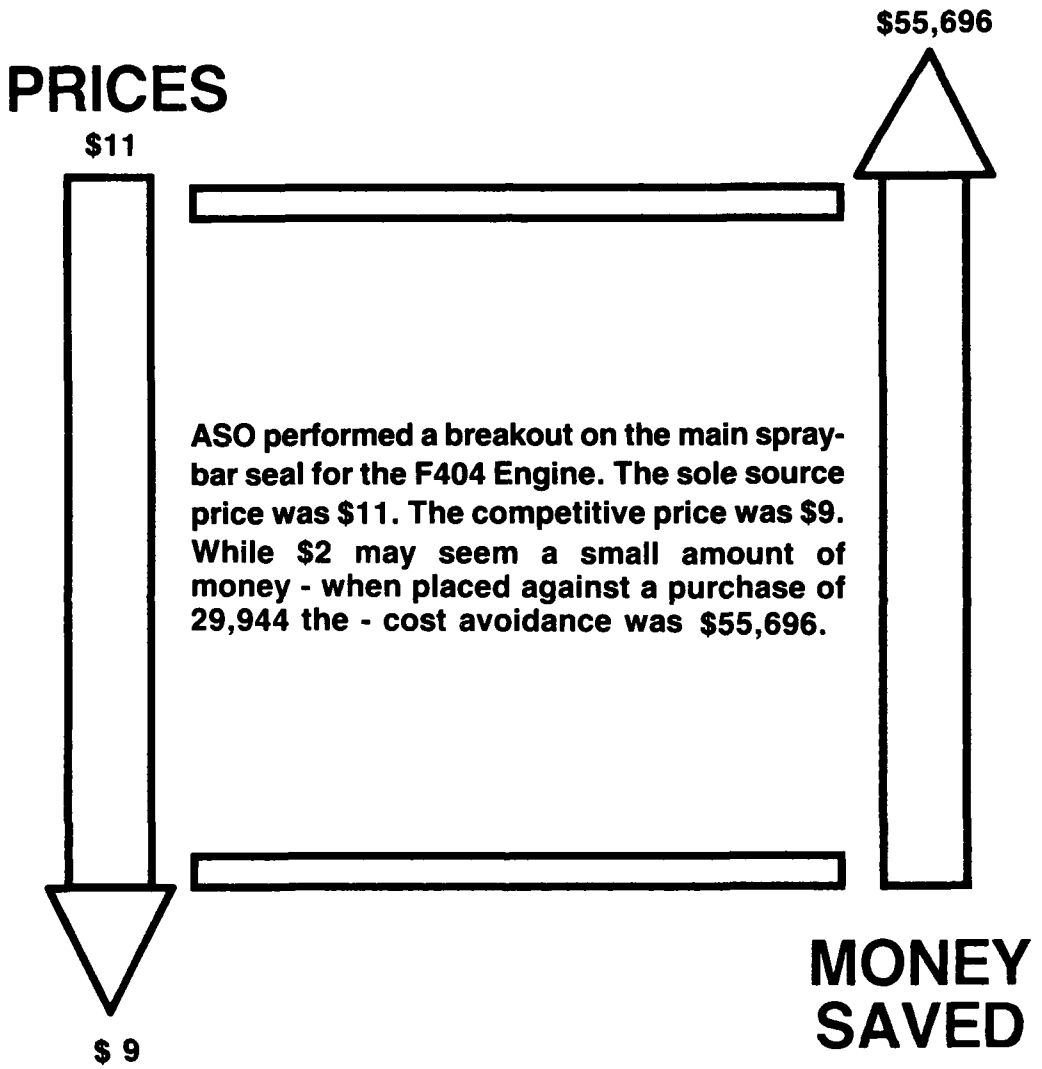
In addition to the major projects discussed above, the following BOSS-related projects are being pursued in the area of Navy Logistics Research and Development (NLR&D):

1. SHARP

The Standard Hardware Acquisition and Reliability Program (SHARP) objective is to develop standard, multi-use electronics system hardware with proven quality and reliability. The program currently includes standard electronic modules, standard enclosure systems, and standard power supplies, each under a rigorous quality control program. The results of SHARP are a reduction in spares acquisition cost, resulting from a decrease in the range of spare parts due to common modules, and a decrease in the depth of spares inventory due to increased reliability.

2. IDSS

The Integrated Diagnostic Support System (IDSS) objective is to automate the design and life-cycle processes for ensuring complete and accurate weapon system embedded diagnostics. The current program has completed the development of the Weapon System Testability Analyzer designed to greatly reduce the fault detection ambiguities in the hardware design phase. Other planned elements of the IDSS program include Automated Diagnostic Authoring Tools, Technical Information and Training Authoring Tools, and a Feedback Analysis process. Implementation of the IDSS can reduce the cost of automatic test equipment, reduce maintenance manpower requirements, and reduce the required number of spare parts due to increased accuracy of diagnostic processes.


$55,696
PRICES
$11
ASO performed a breakout on the main spray-bar seal for the F404 Engine. The sole source price was $11. The competitive price was $9. While $2 may seem a small amount of money - when placed against a purchase of 29,944 the - cost avoidance was $55,696.
MONEY SAVED
$ 9

IV. INSTITUTIONALIZING CHANGES

A. INITIATIVES

Project BOSS encompasses 127 initiatives to implement the Secretary of Defense 35-Point Program (Phase I), promulgated in 1983, to improve the acquisition of spare parts used by the Navy. Of these 127 initiatives, 17 remained open and 1 continuing at the end of FY 87. The status of the BOSS Initiatives is reflected in Figure 12. Considerable progress has been made on these initiatives, and we will continue to pursue the remaining open issues, which are listed in Appendix D.

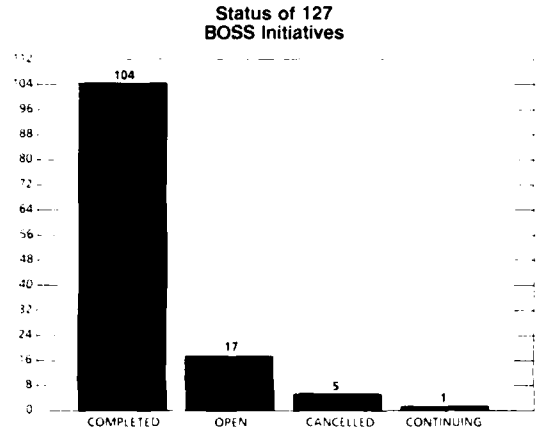


FIGURE 12

New direction was provided by the Under Secretary of Defense in December 1986. In constructing a Phase II program, the lessons learned during the past three years and the major changes mandated since 1983, such as the DOD Reorganization Act of 1986 and the Packard Commission recommendations, were considered. The four-point program designed for Phase II, along with the original 35 points, are contained in Appendix D.

B. PROGRAM OVERSIGHT

To ensure long-term institutionalization of the changes brought about by Project BOSS, financial and management commitments must be maintained in the future years. Effective program management requires a high level of support, both up and down the command chain, and is necessary if we are to continue our success in competition, breakout and fair and reasonable pricing.

1. Project BOSS Program Reviews

PML550 has the responsibility for directing, guiding, coordinating, monitoring and reporting the implementation of all Naval Material Establishment spares competition/breakout goals and recommendations. Program reviews with each Inventory Control Point, Hardware Systems Command and the Fleet Material Support Office are held periodically to ensure a unified approach to the issues and consistent program execution.

2. Assistant Secretary of the Navy Reviews

The Assistant Secretary of the Navy (Shipbuilding and Logistics) is the Navy Procurement Executive and, as such, exercises direct Secretarial oversight for Project BOSS. PML550 presents periodic briefings on the progress of the program, including any special interest items, and receives Secretarial guidance concerning project execution and major initiatives.

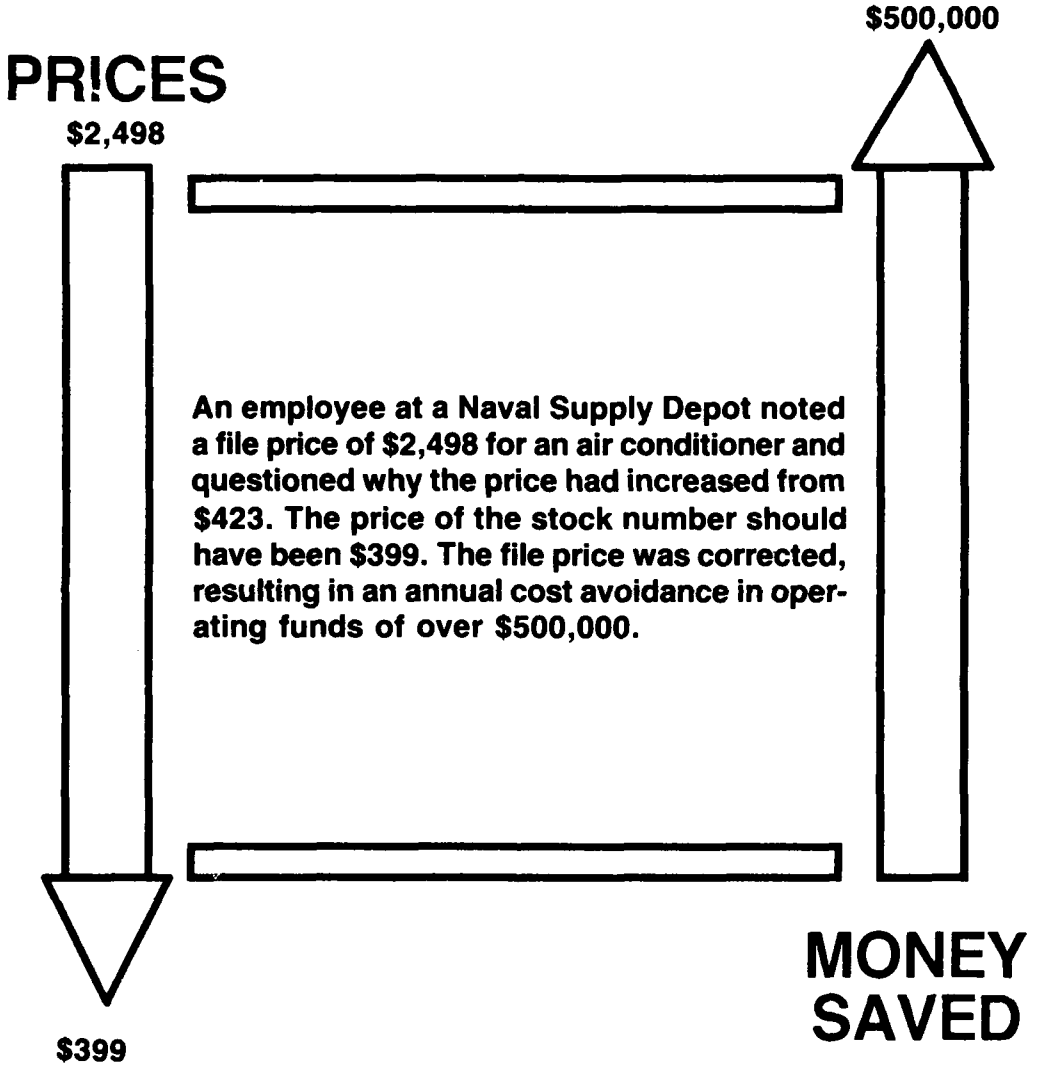
C. AUDITS AND INVESTIGATIONS

The acquisition of spare parts continues to receive considerable attention by Department of Defense audit agencies and other fact-finding bodies. FY 87 reviews involved the Department of Defense Inspector General, General Accounting Office (GAO), and Naval Audit Service. The results of the Follow-Up Defense Wide Audit on Procurement of Spare Parts verified that implementation of the Secretary of Defense's initiatives has improved acquisition of spare parts by the Military Departments and the Defense Logistics Agency. A major GAO audit completed in FY 87 is summarized below. Other BOSS-related audits completed and on-going in FY 87 are listed in Appendix E.

GAO AUDIT - "PROCUREMENT: NAVY IMPLEMENTATION OF THE SPARE PARTS INITIATIVES," (Report Number GAO/NSIAD-87-149 dated 1 Jun 87)

Objectives: Specific audit objectives were to determine whether:

— Growth in spare parts prices had improved,
— The improvement, if any, indicated that DOD


$500,000
PRICES
$2,498
An employee at a Naval Supply Depot noted a file price of $2,498 for an air conditioner and questioned why the price had increased from $423. The price of the stock number should have been $399. The file price was corrected, resulting in an annual cost avoidance in operating funds of over $500,000.
MONEY SAVED
$399

initiatives were working,

— Adequacy of price analysis on individual procurements had improved from earlier report,

— Personnel changes required by initiatives had been implemented, and

— Changes, other than personnel related changes, indicated that various initiatives are being followed.

Summary of Results:

— Both SPCC and ASO are implementing programs which have and will continue to utilize spares management initiatives to ensure price reasonableness.

— Emphasis on the use of price analysis is continually being incorporated into the procurement process.

— Spare parts prices moved in the right direction. SPCC showed an 11 percent increase in procurements with decreased or unchanged prices; ASO showed a 22 percent increase in procurements with decreased or unchanged prices. SPCC showed a 40 percent decrease in procurements with price increases of 25 percent or more; ASO showed a 45 percent decrease in procurements with price increases of 25 percent or more.

D. LEGISLATION

The Defense Acquisition Improvement Act of 1987 contains the following major features affecting spare parts procurements.

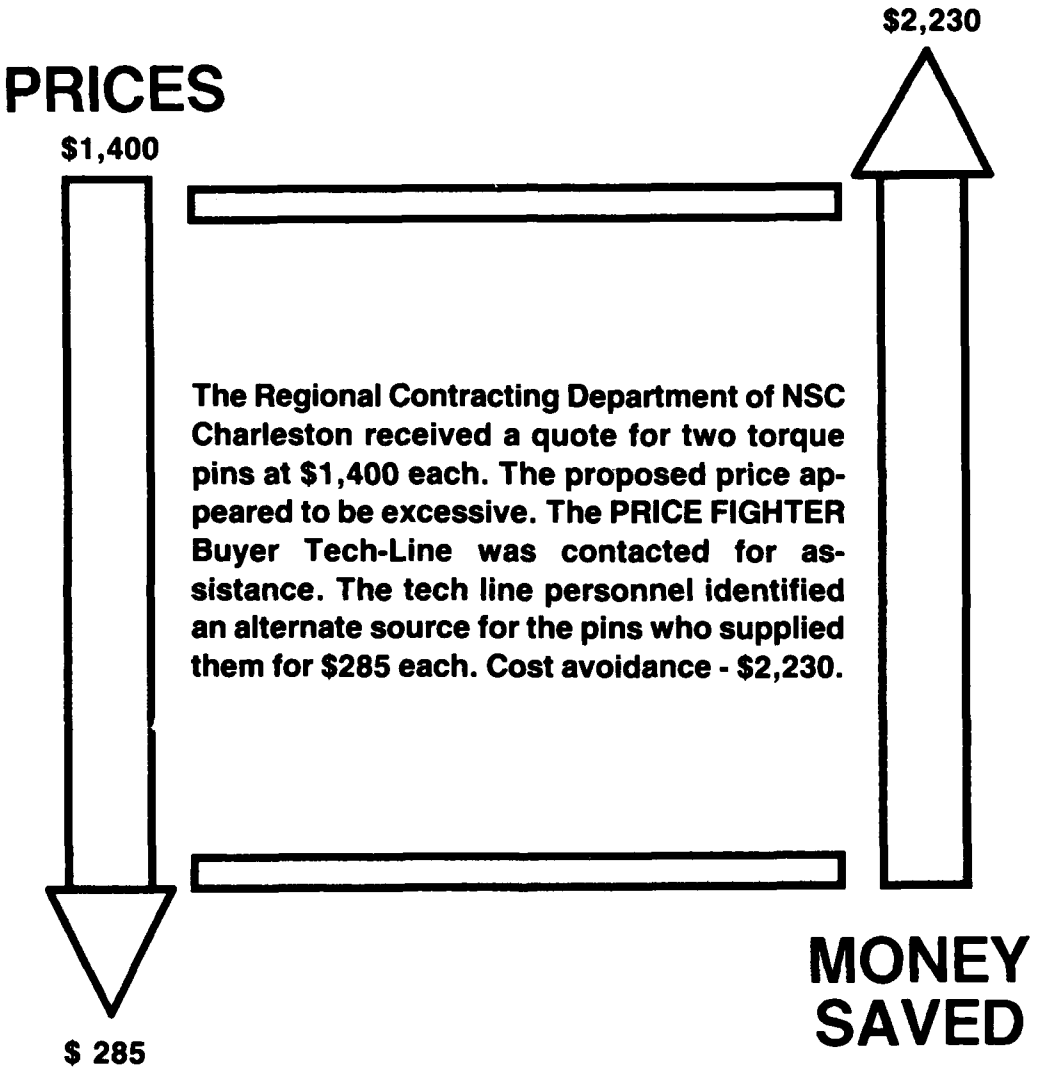
— PREFERENCE FOR NONDEVELOPMENTAL ITEMS. Procurement requirements shall be defined so that nondevelopmental items may be procured to fulfill the requirements.

— GOALS FOR INCREASED USE OF MULTIYEAR CONTRACTING AUTHORITY IN FISCAL YEAR 1988. The Secretary of Defense shall take actions to ensure that the DOD increases the use of multiyear contracting authority in Fiscal Year 1988.

— SMALL BUSINESS ACT THRESHOLDS. The synopsis theshold is increased from $10,000 to $25,000 for competitive small purchases.

— REQUIREMENTS RELATING TO PROCEDURES OTHER THAN COMPETITIVE PROCEDURES. Exception to full and open competition due to availability from "only one responsible source" is expanded to include "or only from a limited number of sources."

— PRICES FOR SPARE OR REPAIR PARTS SOLD COMMERCIALLY. If the head of an agency using procedures other than competitive procedures, enters into a contract for the supply of spare or repair parts which the contractor also offers for sale to the general public, the price charged the United Staes for such parts may not exceed the lowest commercial price charged by contractor.


$2,230
PRICES
$1,400
The Regional Contracting Department of NSC Charleston received a quote for two torque pins at $1,400 each. The proposed price appeared to be excessive. The PRICE FIGHTER Buyer Tech-Line was contacted for assistance. The tech line personnel identified an alternate source for the pins who supplied them for $285 each. Cost avoidance - $2,230.
MONEY SAVED
$ 285

V. PROGRAM COSTS AND BENEFITS

A. BOSS FUNDING

An investment of $128 million was made in the program in FY 87. Additional funds are programmed for FYs 88-91. These funds finance a combination of civilian end strength, contractor work years and non-labor support items (e.g., training and technical data). The spread of funds and end strength planned through FY 91 are shown in Table 3.

BOSS FUNDING
($ MILLIONS)

	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91
NAVAIR	7.2	12.8	20.4	29.4	34.4	35.0	35.3	35.3
NAVSEA	6.8	17.5	26.2	39.8	36.2	38.3	48.4	49.3
SPAWAR	2.5	4.4	5.7	7.7	6.7	7.2	8.7	8.5
NAVSUP	18.6	31.2	34.4	50.2	56.9	61.7	62.3	64.4
FLEETS	0.0	0.0	0.0	0.7	1.4	1.4	1.4	1.4
TOTAL	**35.1**	**65.9**	**86.7**	**127.8**	**135.6**	**143.6**	**156.1**	**158.9**

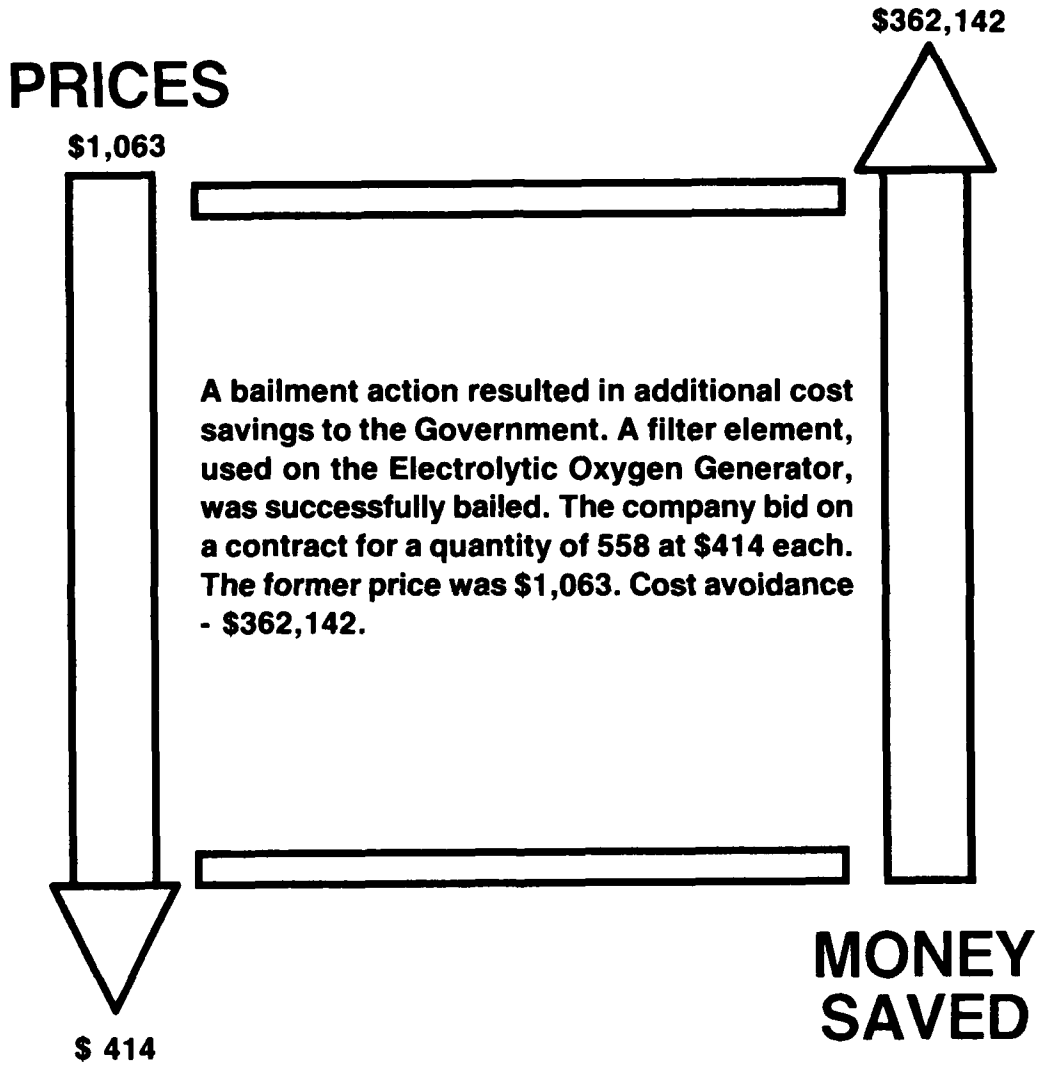
END STRENGTH
(CUMULATIVE)

	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91
NAVAIR	115	181	331	320	320	320	320	320
NAVSEA	75	125	175	241	391	391	391	391
SPAWAR	27	28	28	27	27	27	27	27
NAVSUP	333	401	405	685	685	685	685	685
FLEETS	0	0	0	45	45	45	45	45
TOTAL	**550**	**735**	**939**	**1318**	**1468**	**1468**	**1468**	**1468**

TABLE 3

B. COST AVOIDANCE

The cost avoidances shown below in Table 4 represent over a four-fold return on our FY 87 investment. The $986 million cumulative cost avoidance represents only hard, auditable results of initial purchases subsequent to spares breakout, competition and other actions aimed at obtaining fair and reasonable prices. These benefits will multiply through use of competition in future procurements.


$362,142
PRICES
$1,063
A bailment action resulted in additional cost savings to the Government. A filter element, used on the Electrolytic Oxygen Generator, was successfully bailed. The company bid on a contract for a quantity of 558 at $414 each. The former price was $1,063. Cost avoidance - $362,142.
$ 414
MONEY SAVED

SUMMARY OF PROJECT BOSS COST AVOIDANCE ($ MILLIONS)

	FY84	FY85	FY86	FY87	PROJECT BOSS CUMULATIVE
Breakout	$154.8	$192.7	$212.7	$189.6	$ 749.8
Competition	$ 21.3	$101.1	$113.0	$154.6	$ 390.0
PRICE FIGHTER	$ .5	$ 1.5	$ 6.9	$ 31.6	$ 40.5
Spares Acquisition Integrated with Production	$ 15.9	$ 25.5	$ 44.7	$ 21.2	$ 107.3
Economic Order Quantity	*	$ 6.6	$ 1.6	$ .1	$ 8.3
Refunds	$ .5	$ 1.2	$ 2.4	$ 1.8	$ 5.9
Total cost avoidance	**$193.0**	**$328.6**	**$381.3**	**$398.9**	**$1301.8**
Less investment	$ 35.1	$ 65.9	$ 86.7	$127.8	$ 315.5
Net cost avoidance	$ 157.9	$262.7	$ 294.6	$271.1	$ 986.3

*Not Reported

TABLE 4

A critical measure of Navy achievements in spare parts procurement reform is the cost avoidance generated by our efforts to Buy Our Spares Smart. The active involvement of all Navy commands in reporting tangible cost avoidance is of key importance to our continued credibility. We are pleased to report that in FY 87 we received over 900 reports of Good News from field commands. This represents a significant increase from the 410 reports received in FY 86. Thanks to all participating commands or making Project BOSS a success and saving money! (Just a reminder - please send all Good News reports to: Commander, Naval Supply Systems Command (PML5506B), Washington, DC 20376-5000.)

BOSS has shown that it can pay its own way, making permanent changes in the way the Navy does business as well. There still remains a large potential for savings—BOSS WILL GET THOSE SAVINGS!

COMPETITION CONTACT POINTS

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Naval Supply Center Puget Sound Bremerton, WA 98314	Mr. Robert Shaffer	A/V 439-4533 206-476-4533
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Naval Supply Center San Diego, CA 92132	LCDR C.L. Knight Ms. Melbea Anderson*	619-696-6387 619-696-6387
Naval Supply Center Pensacola, FL 32508	Mr. R.T. Thompson	A/V 922-2337 904-453-2337

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Naval Air Development Center Warminster, PA 18974	Robert N. Becker	A/V 441-2037 215-441-2037
Naval Weapons Center China Lake, CA 93555	CAPT R.A. Dropp	A/V 437-2250 619-939-2250
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Naval Ocean Systems Center San Diego, CA 92152-5000	CAPT E.G. Schweizer CDR M.G. Vance*	A/V 933-6484 619-225-6342
David W. Taylor Naval Ship Research and Development Center Bethesda, MD 20084	CDR D.J. Patton	A/V 287-2793 202-227-2793
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Naval Supply Depot Subic Bay, R.B. 96651	LCDR John F. Gildea, Jr.	011-63-89-882-3011
Naval Supply Depot Yokosuka, Japan 98762	CDR Eric Worrall	A/V 315-234-7733
Naval Avionics Center Indianapolis, IN 46218	CDR J. Paulson	A/V 369-7600 317-353-7600
Marine Corps Air Station Cherry Point, NC 28533	LTC F.J. Booth	A/V 582-2245 919-466-2245
Naval Air Station Patuxent River, MD 20670	LCDR L.W. Strunk	A/V 356-1824 301-863-1824
Naval Air Engineering Center Lakehurst, NJ 08733	LCDR J.F. Wolfinger	A/V 624-2814 201-323-2814
Naval Air Station Point Mugu, CA 93042	Ms. Gwen Hunt	A/V 351-7831 805-989-7831

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Naval Ordnance Station Louisville, KY 40214	CAPT W.C. Long LCDR D.L. Porter*	A/V 989-5211 502-362-5829
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Naval Support Forces Antarctica DET Christchurch, NZ 96690	LT R.H. Dolloff	CML 64-3-583-079
U.S. Naval Office Singapore	Mr. T. Vesper	CML 221-6266
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Naval Air Station Corpus Christi, TX 78419-5000	LCDR S.D. Domoslay LT H. Sommers*	A/V 861-3661

*Deputy or Assistant

COMPETITIVE PERCENTAGES

COMMAND	FY82	FY83	FY84	FY85	FY86	FY87
SPCC	27.0	21.1	35.2	39.3	41.9	41.8
ASO	6.8	9.1	25.4	31.9	40.4	42.1
NRCC Philadelphia	30.6	37.0	55.6	51.1	62.5	81.2
NRCC Long Beach	25.2	39.4	50.5	61.1	65.7	72.8
NRCC Naples	33.2	61.2	52.8	49.6	72.4	48.5
NRCC Washington	45.1	70.4	74.7	85.3	86.0	84.6
NSC Pearl Harbor	53.8	84.3	80.2	89.0	93.3	95.8
NSC Norfolk	38.8	68.6	77.4	85.5	86.8	88.0
NSC Oakland	53.0	69.4	78.4	94.3	97.6	98.3
NSC Puget Sound	56.3	60.5	67.1	85.0	88.0	85.7
NSC Charleston	53.9	72.9	75.2	88.1	93.9	93.4
NSC Jacksonville	42.9	77.3	72.7	86.6	93.9	88.6
NSC San Diego	46.7	49.6	62.7	73.8	81.4	91.3
NSC Pensacola	49.9	75.0	58.1	84.8	94.9	94.9
NAVRESSO	88.3	98.4	89.5	87.6	85.2	68.9
NADC Warminster	30.0	33.8	46.6	62.7	65.7	89.2
NWC China Lake	44.1	55.8	59.3	64.2	73.0	59.2
NCSC Panama City	36.4	44.1	80.5	84.5	91.1	91.5
NSWC Dahlgren	34.5	44.9	59.3	64.2	73.0	82.1
NOSC San Diego	44.7	44.5	56.0	69.4	80.2	84.9
DTNSRDC	41.1	50.9	63.3	73.4	80.2	86.5
NUSC Newport	**	**	**	**	63.4	80.1
NSD Guam	36.5	58.6	78.0	78.0	97.8	96.6
NSD Subic Bay	45.0	74.6	86.4	89.5	91.8	68.9
NSD Yokosuka	45.2	87.1	85.5	91.1	96.4	82.6
NAC Indianapolis	70.9	72.9	87.5	83.4	91.3	82.2
NAS Patuxent River	28.1	49.5	59.1	77.7	86.0	77.9
NAEC Lakehurst	65.2	56.2	78.0	91.1	92.9	88.6
NAS Point Mugu	53.0	55.9	62.2	68.1	73.7	71.1
MCAS Cherry Point	55.8	63.2	81.4	90.1	91.8	92.5
NSY Norfolk	48.1	56.5	75.4	86.4	68.4	70.1
NSY Mare Island	69.0	82.3	75.5	89.6	92.6	95.2
NSY Portsmouth	36.4	36.3	42.3	55.3	56.3	62.7
NSY Pearl Harbor	60.6	67.7	98.1	97.0	99.9	98.4
SUPSHIP Pascagoula	98.6	96.6	46.6	57.8	100.0	95.7
SUPSHIP Newport News	00.0	**	**	**	100.0	97.6
NWSC Crane	26.1	26.5	32.9	63.2	77.9	94.2
NOS Indian Head	51.7	51.6	63.9	77.4	84.0	79.8
NOS Louisville	32.6	37.9	60.9	78.2	83.5	77.4
NOO Bay St. Louis	51.8	46.0	57.7	66.3	80.3	92.2
NTSC Orlando	20.5	18.2	43.9	38.4	60.8	77.8
NSF Antarctica	38.5	75.4	46.4	48.4	53.5	47.8
USNAVOFF Singapore	41.3	60.9	68.3	88.9	86.8	97.1
USNA Annapolis	32.5	56.6	100.0	88.4	93.6	94.0
NTC Great Lakes	73.0	58.1	79.0	89.1	90.1	93.8
TOTAL	**28.5**	**32.4**	**46.8**	**53.2**	**64.0**	**69.4**

(**Not Available)



BOSS HEROES

BOSS is working, and saving the Navy millions of dollars. The key to this success is the thousands of men and women throughout the Navy who go above and beyond to make BOSS work.

On the pages that follow are listed those individuals whose names have been identified as recipients of BOSS awards. There are, undoubtedly, many more. All commands are requested to report awards given to the Naval Supply Systems Command (PML 5501A), Washington, DC 20376-5000.

To all of you, named and unnamed, CONGRATULATIONS! You are the HEROES of PROJECT BOSS. You deserve the recognition you have received. BOSS thanks you - the Navy thanks you - the American taxpayer thanks you.

Well done, and keep up the great work!!!

USS AMERICA (CV 66)



MM2 Timothy P. Reilly

USS BERKELEY (DDG 15)

STGC Mark W. Harris

USS BREWTON (FF 1086)

GMGC(SW) Anthony L. Guisti

USS CAPE COD (AD 43)

ET2 C.W. Fagan
EM2 J. Flaherty
MRCS L.M. Kramer

USS DUNCAN (FFG 10)

SKC Pedro Jimenez

USS ENTERPRISE (CVN 65)

SKSN Timothy W. McMinn
RM2 James R. Newberry



USS FRANCIS HAMMOND (FF 1067)

STGCS(SW) Stansbury

USS GOLDSBOROUGH (DDG 20)

MM1 Laredo Bell
STG1 Michael D. Fleming
LT Jeffrey J. Grabarek
MM3 Frederick R. Schnieder
EW3 David J. Shallo
BT2 Marshall L. Vorhies

USS KITTY HAWK (CV 63)

AQ2 Robin Heath

USS KNOX (FF 1052)

EW2 Schwartz

USS HOEL (DDG 13)

GMG1(SW) James Gibbons

USS JASON (AR 8)



SK3 Rebecca Bowman

USS JOUETT (CG 29)

BTFN Hirschman

USS LA MOURE COUNTY (LST 1194)

FC2 Wes Neal

USS LEAHY (CG 16)

FC2 Chappell

USS MARS (AFS 1)

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USS MARVIN SHIELDS (FF 1066)

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SK1 Arnold Leighton
SK2 David Nelson

USS McCLUSKY (FFG 41)

EN2 Roni P. Ebert

USS MOUNT HOOD (AE 29)

S1 Raul C. Lagrosa

USS OLDENDORF (DD 972)

GMT1 Stephen O. Mitchell
STG2 Matthew Nieland

USS REEVES (CG 24)

FC2 Edmundo N. Biolard

USS RENTZ (FFG 46)

FC2 B.D. Moore

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ETC Steven Geis

USS STERETT (CG 31)

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RMCS D.J. Hartnett

USS SOUTH CAROLINA (CGN 37)

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USS STONEWALL JACKSON (SSBN 634)

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USS TOWERS (DDG 9)

FC2 Milton B. Haney

USS VALLEY FORGE (CG 50)

SK2 Bruce L. Gist

USS WORDEN (CG 18)

ET2 Frank Decaire

FIGHTER SQUADRON ONE-TWO-FOUR

AMS2 John Ruark

FIGHTER SQUADRON TWO-ONE-ONE

AMH2 J. Carrol

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ATTACK SQUADRON EIGHT ONE

AK2 Anthony J. Skirta

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W. Gross
M. Faillace
J. Hembree
K. Hunt
E. Ingram
D. Kowalczyk
J. Landy
O. Latham
L. Lax
P. Line-Seconia
C. Oehler
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K. Sweetra
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Elli Butler
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Linda Clayton
Delene Cleaver
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Anastacio Quinto

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ET1 Hoffman
GSMC Rebisz
GSM2 Seiders

SHORE INTERMEDIATE MAINTENANCE ACTIVITY, GUANTANAMO BAY

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Laval Mallard
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Fred Braunum
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Michael Hays
Martin Harrin
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James Persson
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NAVAL ELECTRONIC SYSTEMS ENGINEERING ACTIVITY DETACHMENT, PHILADELPHIA

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Alfred A. Pantleon

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CDR Lee Jacobson

SECRETARY OF DEFENSE INITIATIVES

PHASE I

The Secretary of Defense announced his 10-point program to reduce the cost of spare parts in July 1983 and in August 1983 further defined twenty-five specific actions to be taken. These original 35 initiatives are listed below.

1. SECDEF Initiative: Offer incentives to increase competitive bidding and reward employees who vigorously pursue cost savings.

2. SECDEF Initiative: Take stern disciplinary action against those employees who are negligent in implementing our procedures.

3. SECDEF Initiative: Alert defense contractors to the seriousness of the problem and our firm intention to keep prices under control.

4. SECDEF Initiative: Ensure that Competition Advocates challenge orders that are not made competitively or appear to be excessively priced.

5. SECDEF Initiative: Refuse to pay unjustified price increases.

6. SECDEF Initiative: Accelerate reform of basic contract procedures.

7. SECDEF Initiative: Take steps to obtain refunds in instances where we have been overcharged.

8. SECDEF Initiative: Cease doing business with those contractors who are guilty of unjustified and excessive pricing and who refuse to refund any improper overcharges.

9. SECDEF Initiative: Continue audits and investigations.

10. SECDEF Initiative: Eliminate excessive pricing, recover unjustified payments and take corrective action against those contractors and employees who are either negligent in performing their duties or are engaging in excessive pricing practices.

11. SECDEF Initiative: Provide resources to induce desirable breakout, effective competitive procurement and improved pricing in the acquisition of spare parts.

12. SECDEF Initiative: Apply the DOD Parts Control Program to enhance competition.

13. SECDEF Initiative: Accelerate plans for acquisition of computer hardware and software to assist parts control personnel.

14. SECDEF Initiative: Institute action to identify disparities in spare parts prices within and among various procuring activities.

15. SECDEF Initiative: Employ value engineering to investigate spare parts where cost or price exceeds intrinsic value.

16. SECDEF Initiative: Assign more engineering resources to review new procurement data packages for accuracy.

17. SECDEF Initiative: Develop and test a procedure to make breakout of spare parts a factor in source selection for new major systems. Develop new incentive arrangements to reward contractors for cost savings generated by their efforts.

18. SECDEF Initiative: Negotiate contract data provisions which, as appropriate, reduce contractors' proprietary rights in data.

19. SECDEF Initiative: Designate acquisition of spare parts and reprocurement data as an agenda item in Acquisition Strategy Panels, Advance Acquisition Plans, and Acquisition Review Councils and Logistic Review Group sessions.

20. SECDEF Initiative: Revise performance evaluation factors for acquisition and logistics managers. Include emphasis on spare parts pricing, breakout, competition and value engineering accomplishments.

21. SECDEF Initiative: Implement Defense Acquisition Regulation (DAR) Supplement No. 6.

22. SECDEF Initiative: Consider in all contracts, as appropriate, the government's right and ability to breakout and procure competitively spare parts.

23. SECDEF Initiative: Discourage use of government specifications and contractor proposed engineering designs that inhibit subsequent competitive procurement of spare parts.

24. SECDEF Initiative: Continue action on SECDEF Ten Point Program to ensure that prices paid for all spare parts are fair and reasonable.

25. SECDEF Initiative: Pursue appropriate refunds or other recoupments vigorously following any audit or other disclosure of incorrect pricing or overcharge.

26. SECDEF Initiative: Review existing contracts to fully address any and all opportunities for improved pricing of spare parts, including breakout and competition.

27. SECDEF Initiative: Instruct acquisition personnel to challenge any procurement action for spare parts where the estimated or negotiated price appears unrelated to intrinsic value.

28. SECDEF Initiative: Reexamine existing policy on patent and data rights arising under government funded IR&D.

29. SECDEF Initiative: Expand training curricula to ensure emphasis, understanding and technical skill level for all personnel engaged in the acquisition of spare parts.

30. SECDEF Initiative: Assign special task forces to review existing reprocurement data packages for spare parts with high annual buy values.

31. SECDEF Initiative: Evaluate and make recommendations for changes to existing authorization, appropriation, apportionment, budgeting and financial management practices and regulations pertaining to acquisition of spares.

32. SECDEF Initiative: Pursue with appropriate congressional committees and their staffs the merit of a two-year authorization for acquisition of replenishment spare parts and consumables.

33. SECDEF Initiative: Insist on contract terms and conditions in all future acquisitions that afford more equitable treatment and provide for greater assurance of fair and reasonable prices.

34. SECDEF Initiative: Automate data repositories to improve the acquisition, storage, update and retrieval of reprocurement technical data.

35. SECDEF Initiative: Evaluate and assess accomplishments under near- and mid-term actions for additional policy direction, as appropriate.

SECRETARY OF DEFENSE INITIATIVES

PHASE II

The Undersecretary of Defense (A&L-L) updated the spares initiatives which we should use in structuring our efforts for the future. In his December 1986 memorandum, he stated that the original 35 spare parts initiatives have served us well, but for the most part, they have been institutionalized and are now a permanent part of the way we do business.

Moving beyond these original initiatives, a four-point program was developed. The four areas which we are now concentrating on are listed below.

1. INCREASE THE FOCUS OF SPARES MANAGEMENT ON THE FRONT-END PHASE OF THE WEAPONS SYSTEM ACQUISITION PROCESS. Weapon system acquisition plans must be carefully formulated to assure initial and replenishment spares are provided as economically as possible. Acquisition plans must take advantage of concepts such as Spares Acquisition Integrated with Production (SAIP), the use of non-developmental items, and life cycle technical data acquisition and management strategies. In addition, weapon system requirements and specifications must explicitly promote life cycle logistics supportability. Technology offers great potential for reducing future spares requirements by providing alternative system designs, improving reliability, and improving testability. Post production support planning must become an integral part of weapon system development and have adequate resources applied against it.

2. IMPROVE AND STREAMLINE PROCUREMENT PROCEDURES FOR REPLENISHMENT BUYS. The focus must be on providing contracting strategies that promote quality competition; finding better ways to insure quality and availability of technical data, such as having contractors maintain the data; and adopting the best of the commercial practices that are appropriate to DOD procurement.

3. ENHANCE WORKFORCE EFFECTIVENESS. We must make a major effort to give our buyers and spares managers better tools to do their jobs. Training must continue to be emphasized, but technology can play a key role in improving productivity through automation of many spares acquisition functions and providing buyers and managers with better, more relevant information for decision making. Information programs and incentive awards, including cross-command and cross-service awards, can keep the work force highly motivated. Innovative personnel management initiatives are also encouraged, especially those that reduce redundant and unnecessary layers of bureaucracy, which encourage personal accountability, and which motivate employees to strive for excellence.

4. MEASURE PERFORMANCE AND REPORT THE RESULTS OF OUR EFFORTS. We must have top level indicators that will continuously provide an indication of the health of our system. When problems are indicated, we must be prepared to quickly and thoroughly analyze problems and implement corrective actions. We must be able to communicate our progress to Congress and the American people in a straightforward and credible fashion.

There are currently initiatives underway for each of these points.

BOSS INITIATIVES

During its four years in existence, Project BOSS has encompassed 127 initiatives in various functional disciplines to improve the acquisition of spare parts used by the Navy. This effort has had a significant impact on the spares acquisition process process. We have completed 109 initiatives with only 18 remaining open. They are listed below by functional area.

Requirements Determination

—Review procurement and providing policies to ensure that common use items are not automatically included in contractor interim and life cycle maintenance/supply support packages.

—Review existing policies and procedures for making repair vs. buy decisions on repairable items and issue appropriate guidance to field activities who make such decisions.

Breakout

—Prioritize acquisition of reprocurement technical date in the ILS planning process.

—Develop a course on spare parts breakout which is aimed at engineers.

—Expand the warranty clause for major weapon systems, procurement packages to permit the government to charge the contractor the cost incurred for correcting any defective data package.

—Develop a clause for weapons systems contracts that gives the government the right to forward data packages to an independent contractor to determine validity of proprietary data restrictions.

—Propose a change to DOD-D-1000B to restore category F drawings as a requirement under the MILSPEC.

—Develop a contractual provision permitting deferred ordering of engineering data that requires contractor maintenance of engineering data through post production.

—Develop a policy document for ICPs/HSCs defining requirements for obtaining technical data and Level II/III drawings.

—Define the policy for application of warranties to secondary items and issue on warranty policy.

Pricing

—Establish more realistic initial estimated prices for spare parts and consolidate initial buy quantities of provisioned items.

Contract Management

—Initiate change to the existing Cost Accounting Standards (CAS) which allow contractors to allocate overhead/G&A burdens to spares orders which in many instances are substantially disproportionate to the value which the contractor has added.

Automated Systems

—Increase automation of the procurement process.

—Conduct a review of technical data access procedures utilized by the ICPs and implement recommendations for improving the process.

—Develop an automated system which will provide buyers with on-line access to information that will help them clearly define and identify a part and check price reasonableness before contract award.

—Implement Navy Print on Demand System (NPODS) at the Naval Publications and Forms Center (NPFC).

—Convert data repository technical files supporting ICP reprocurement actions to an electronic form.

SUMMARY OF AUDITS AND INVESTIGATIONS

AUDITS COMPLETED IN FY 87

AGENCY	TITLE	REPORT/CASE NUMBER	PUBLICATION DATE
DOD	Quick-Reaction Report on NSN 2915-00-922-8989, Seal Assembly	87-225	20 Aug 87
GAO	Procurement: Limited Data on DOD's Parts Breakout Program	GAO/NSIAD-87-16BR	10 Oct 86
GAO	Procurement: Navy Implementation of Spare Parts Initiatives	GAO/NSIAD-87-149	1 Jun 87
GAO	Procurement: Defense Logistics Agency Implementation of the Spare Parts Initiatives	GAO/NSIAD-87-143	1 Jun 87

AUDITS ON-GOING IN FY 87

AGENCY	TITLE	CASE NUMBER
DOD	Audit of the DOD In-House Value Engineering Program	7AE-025
DOD	Audit of Minimum Economic Order Quantities	6SL-023
DOD	Audit on Vendor Technical Qualification Process for Aircraft Engine Spare Parts Procured by the Navy Aviation Supply Office	6AP-810
DOD	Audit of Contractual Actions for Emergency/Urgent Procurement Requirements	7AP-058
DOD	Audit of Component Breakout Program for Aircraft Systems	7MA-147
DOD	Audit of Honeywell Catalog Pricing	5CA-510
DOD	Audit of the Procurement of Crashworthy Crewseats for Helicoptors	7AP-802

GAO	Navy Supply: Economic Order Quantity and Item Essentiality Need More Consideration	394103
Navy Audit	Department of the Navy Price Challenge Program	T 20087

Date _____

SUSPECTED OVERCHARGING NOTIFICATION FORM

I think the Navy is being over-charged on this item. Please look into it, and let me know what you find.

Describe the item you think is over-priced.

NSN or Part Number _____
Description or Name of Item _____
Price you think is wrong _____
Where did you find this price? _____
Unit of Issue _____
Who issued you the item _____
Your requisition number _____
Contract Nr on item or paperwork _____

Is there another NSN you can USE IN PLACE of this item (at a lower price)?

NSN _____ Price _____ U/I _____

Is there a SIMILAR item that you can NOT use in place of this, but you think is priced close to the true value of this item?

NSN _____ Price _____ U/I _____

Can you buy this SAME ITEM for less elsewhere?

Name of Company _____ FSCM/CAGE _____
Part Number _____
Address _____
_____
Telephone ( ) _____

Why do you think this item is over-priced? _____
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_____

Any other comments or information _____
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Rank/Rate/Name: _____
Command: _____
Mailing Address: _____
_____
Message Address: _____
AUTOVON Number: _____

Thanks for your assistance in keeping prices down.

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5450 Carlisle Pike
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PRICING INQUIRY

Date _____

SUSPECTED OVERCHARGING NOTIFICATION FORM

I think the Navy is being over charged on this item. Please look into it, and let me know what you find.

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APPENDIX F

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Mechanicsburg, PA 17055-0787

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